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From Aid To Trade: Delivering Results

A Cross-Country Evaluation of USAID Trade Capacity Building

NOVEMBER 24, 2010

This publication was produced for review by the United States Agency for International Development. It was prepared by Molly Hageboeck, Management Systems International.

From Aid To Trade: Delivering Results

A Cross-Country Evaluation of USAID Trade Capacity Building



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Contracted under DFD-I-00-04-00228-00, task order 11

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CONTENTS

- ACRONYMS** **vii**
- PREFACE** **ix**
- EXECUTIVE SUMMARY**..... **xi**
 - A. Overview..... xi
 - B. U.S. Trade Capacity Building Assistance to Developing Countries..... xi
 - C. Evaluation Purpose..... xiii
 - D. Evaluation Methodology..... xiii
 - E. Recommendations..... xxx
- PART ONE**..... **1**
- SECTION I. EVALUATION PURPOSE AND SCOPE**..... **3**
 - A. U.S. government Investments In Trade Capacity Building..... 3
 - B. Evaluation Purpose and Scope..... 5
- SECTION II: EVALUATION APPROACH, METHODOLOGY, AND DATA** **7**
 - A. Evaluation Approach..... 7
 - B. TCB Project Clusters Based on Results..... 8
 - C. Data Collection and Analysis Methods..... 14
 - D. Study Data..... 15
 - E. Data Limitations..... 17
- SECTION III: ANSWERS TO EVALUATION QUESTIONS** **19**
 - QUESTION 1: TO WHAT EXTENT HAVE USAID TCB PROGRAMS CONTRIBUTED IN A MEASURABLE WAY TO IMPROVED TRADE CAPACITY IN TARGET COUNTRIES? 19
 - 1. The Impact of USAID TCB Assistance on Target Country Trade Performance..... 19
 - 2. Regression Findings on Intermediate Results that Support Improvements in Target Country Trade Performance 28
 - 3. Other Factors That Influence Trade Performance 31
 - 4. Countries with Weak Export Gains and a High Level of USAID TCB Assistance..... 42
 - QUESTION 2: WHAT IMPACT HAVE USAID TCB PROJECTS HAD ON THE FIRMS, INDIVIDUALS, ASSOCIATIONS, SECTORS, ECONOMIES AND GOVERNMENT AGENCIES TARGETED BY THE INTERVENTIONS? 45
 - 1. Impact on Individuals..... 45
 - 2. Impact on Institutional Beneficiaries 48
 - 3. Impact on Sectors..... 50
 - 4. Impact at the Level of an Economy..... 53

| | |
|--|------------|
| QUESTION 3: WHICH ACTIVITIES HAVE BEEN MORE SUCCESSFUL THAN OTHERS IN ACHIEVING THEIR OBJECTIVES AND WHAT WERE THE PRIMARY FACTORS FOR THEIR RELATIVE SUCCESS? | 63 |
| 1. The Evaluation’s Metric for Rating Project Success | 63 |
| 2. Significant Relationships Between success scores and other project characteristics | 73 |
| 3. STATISTICALLY SIGNIFICANT RELATIONSHIPS AMONG OTHER TCB PROJECT VARIABLES..... | 77 |
| 4. Qualitative Findings on Keys To Project Success..... | 77 |
| 5. Qualitative Findings on Barriers To Success | 79 |
| QUESTION 4: WHAT COMBINATIONS OF ACTIVITIES OR INTERVENTIONS WERE MORE SUCCESSFUL AND SUSTAINABLE THAN OTHERS, AND WHAT WERE THE PRIMARY SYNERGIES THAT CONTRIBUTED TO THAT SUCCESS? | 83 |
| 1. The Relative Effectiveness of Combinations of Project Elements..... | 83 |
| 2. The Synergistic Effects in Projects Involving More Than One Focus | 88 |
| 3. Sustainability of Project Momentum, Services And Benefits | 90 |
| QUESTION 5: TO WHAT EXTENT HAVE THE INTERVENTIONS FUNDED BY USAID SINCE 2002 SUCCEEDED IN ACCOMPLISHING THE PROGRAM’S OBJECTIVES? | 95 |
| 1. Trade Capacity Building Program Objectives..... | 95 |
| 2. Achievement of Program Objectives | 97 |
| QUESTION 6: HOW CAN USAID INTEGRATE MONITORING AND EVALUATION INTO THE DESIGN AND IMPLEMENTATION OF TCB PROGRAMS MORE SYSTEMATICALLY? | 107 |
| 1. Performance Management in USAID | 107 |
| 2. TCB Performance Monitoring..... | 107 |
| 3. TCB Program and Project Evaluation..... | 119 |
| SECTION IV: SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS..... | 129 |
| A. SUMMARY OF CONCLUSIONS..... | 129 |
| B. RECOMMENDATIONS | 130 |
| PART TWO: PROJECT RESULTS BY RESULTS FRAME LEVEL..... | 135 |
| SECTION 1. PROJECT RESULTS AT THE RF 0.0 LEVEL IN THE RESULTS FRAMEWORK | 137 |
| SECTION II. PROJECT RESULTS AT THE RF 1.1 LEVEL..... | 141 |
| A. Types of Trade and Investment Results at the RF 1.1 Level..... | 142 |
| B. RF1.1 Export By Sector | 146 |
| SECTION III. PROJECT RESULTS FOR THE RF 2.1 CLUSTER..... | 159 |
| SECTION IV. PROJECT RESULTS FOR THE RF 2.2 CLUSTER..... | 171 |
| SECTION V. PROJECT RESULTS FOR THE RF 2.3 CLUSTER..... | 183 |
| 2. Project Results For The RF 2.3 Cluster | 184 |
| WORKS CITED | 195 |

| | |
|--|------------|
| ANNEX A. EVALUATION STATEMENT OF WORK | 203 |
| ANNEX B. EVALUATION METHODS AND INSTRUMENTS..... | 213 |
| ANNEX C. THE EFFECTS OF US TRADE CAPACITY BUILDING ASSISTANCE ON TRADE-RELATED OUTCOMES, 1999-2008 | 247 |
| ANNEX D. SUPPLEMENTARY STATISTICALLY SIGNIFICANT FINDINGS ABOUT RELATIONSHIPS BETWEEN TCB PROJECT CHARACTERISTICS | 297 |
| ANNEX E. BIBLIOGRAPHY | 305 |

Tables

| | |
|---|-----|
| Table 1. Aid for Trade – Major Sources and Commitments Ranked by 2002-2005 Average Commitments (in Millions U.S., 2006 Constant Prices) | 4 |
| Table 2. Final Year For Projects Included In The Evaluation, Where The Final Year Is Known..... | 16 |
| Table 3. Distribution of USAID TCB Projects Examined By The Evaluation, by USAID Bureau | 16 |
| Table 4. Share of Directly Trade Related TCB Obligations By Results Framework Cluster | 28 |
| Table 5. Change in World Bank Logistics Performance (LPI) Index Customs Factor Scores | 31 |
| Table 6. degree of improvements in Merchandise exports by TCB funding level..... | 37 |
| Table 7. Top Exporters with High Levels of USAID TCB Assistance | 38 |
| Table 8. Trade Environment Factors Present in High Export Countries by Level of TCB Assistance | 39 |
| Table 9. Microeconomic reforms Observed in top performers (2002-2007) | 42 |
| Table 10. Low Export Performers with High USAID TCB Assistance..... | 43 |
| Table 11. Factors Present in Low performers with High TCB Assistance | 43 |
| Table 12. Frequency Distribution of USAID TCB Projects by Sector and Total TCB Obligations (2002-2006)..... | 51 |
| Table 13. Numbers of Countries Experiencing Economy Wide Improvements..... | 52 |
| Table 14. Changes in Economy-Wide Trade and Investment Indicators in 87 USAID-Assisted Countries (2002-2006) | 59 |
| Table 15. Change in the Average Number of SITC 3-digit Products Exported by Region (2002-2009)..... | 59 |
| Table 16. New and Existing Product/Market Exports | 60 |
| Table 17. Ratings for completed projects Across All Intended Results | 66 |
| Table 18. Variables Examined for their Statistical Association with Project Success Ratings | 74 |
| Table 19. Project Implementation Issues frequently Cited in USAID TCB Project Reports..... | 75 |
| Table 20. Keys to Success..... | 78 |
| Table 21. Barriers to Success..... | 80 |
| Table 22. Distribution of TCB Project dimensions Included in the Statistical Analysis of Combinations | 84 |
| Table 23. Trade and Investment Improvements Sought in Illustrative USAID Strategic Plans..... | 97 |
| Table 24. Unprocessed agricultural commodities promoted by TCB Projects | 105 |
| Table 25. Illustrative Reporting Against Performance Indicators and Targets in USAID TCB Projects..... | 111 |
| Table 26. Performance Indicators in Use in USAID TCB Projects by Results Framework Level | 112 |
| Table 27. USAID Trade Capacity Building Evaluations Linked to 38 Projects Examined by the Evaluation..... | 121 |
| Table 28. SOW Completeness & Quality Ratings for TCB Evaluation SOWS | 124 |
| Table 29. Evaluation Report Completeness & Quality Ratings for TCB Evaluation Reports..... | 126 |
| Table 30. Summary of Conclusions Reached on TCB Evaluation Questions..... | 129 |
| Table 31. TCB Results Framework Level 0.0..... | 138 |
| Table 32. TCB RESULTS FRAMEWORK LEVEL 1.1 | 142 |
| Table 33. Examples of Export Results by Project Location..... | 143 |
| Table 34. Examples of Investment Results by Project Location | 144 |
| Table 35. Examples of Import Results by Project Location..... | 145 |
| Table 36. Top 10 Partners of USAID’s Central Asia RTP Project..... | 145 |
| Table 37. Illustrative Products in TCB Combination EXPORT Projects..... | 148 |

| | |
|---|-----|
| Table 38. Agricultural Product Frequency in USAID Trade Capacity Building Projects (2002-2006)..... | 149 |
| Table 39. Frequency of Manufactured Products in projects (2002-2006)..... | 153 |
| Table 40. TCB Results Framework Level 2.1..... | 161 |
| Table 41. TCB Results Framework Level 2.1.1..... | 163 |
| Table 42. Illustrative List of USAID TCB Projects Administered on a Global Basis..... | 163 |
| Table 43. TCB Results Framework Level 2.1.2..... | 165 |
| Table 44. TCB Results Framework Level 2.1.3..... | 166 |
| Table 45. TCB Results Framework Level 2.1.1.1..... | 167 |
| Table 46. TCB Results Framework Level 2.1.1.1..... | 167 |
| Table 47. TCB Results Framework Level 2.1.1.2..... | 170 |
| Table 48. TCB Results Framework Level 2.2..... | 173 |
| Table 49. TCB Results Framework Level 2.2.a..... | 174 |
| Table 50. TCB Results Framework Level 2.2.1..... | 176 |
| Table 51. U.S. Share of Funding for Total Bilateral TCB Assistance and the U.S. Share of the Trade Policy and Regulation Component of Bilateral TCB. | 177 |
| Table 52. USAID TCB Support for WTO Accession and Post-Accession implementation (2002-2006)..... | 179 |
| Table 53. TCB Results Framework Level 2.2.2..... | 179 |
| Table 54. TCB Results Framework Level 2.2.1.1..... | 180 |
| Table 55. TCB Results Framework Level 2.2.1.2..... | 181 |
| Table 56. TCB Results Framework Level 2.3..... | 185 |
| Table 57. TCB Results Framework Level 2.3.1..... | 186 |
| Table 58. TCB Results Framework Level 2.3.2..... | 190 |
| Table 59. TCB Results Framework Level 2.3.3..... | 191 |
| Table 60. TCB Results Framework Level 2.3.1.1..... | 192 |
| Table 61. TCB Results Framework Level 2.3.1.2..... | 192 |

Figures

| | |
|--|----|
| Figure 1. U.S. ProPortions of OECD Member Countries Aid for Trade Commitments (U.S. Millions)..... | 4 |
| Figure 2. U.S. government TCB Obligations by Agency (1999-2009)..... | 5 |
| Figure 3. Trade Capacity Building Results Framework3..... | 9 |
| Figure 4. Role of the TCB Results Framework in Structuring Evaluation Analyses Focused on Causal RelationSHIPS..... | 14 |
| Figure 5. Export Trends In Developed and Developing Countries (1970-2009), In Millions, U.S..... | 21 |
| Figure 6. Developing Countries Export Trends By Region (1970-2009), In Millions, U.S..... | 23 |
| Figure 7. Macedonian Export and GDP Growth..... | 28 |
| Figure 8. World GDP Growth Rate 2000 to 2009..... | 32 |
| Figure 9. Growth in World Trade and GDP 1998-2008..... | 33 |
| Figure 10. Growth of World Merchandise Exports by Region (2007-2009), Year by Year Change in Dollar Value (WTO)..... | 34 |
| Figure 11. Commodity Price Indices 2001 to 2009..... | 35 |
| Figure 12. Traditional and Non-Traditional Exports from Bolivia, 1995-2007..... | 35 |
| Figure 13. Trends in Intra-Regional Trade in Selected USAID Regions (2002-2008)..... | 54 |
| Figure 14. Developing Country Exports and Imports, 2002-2008 (UNCTAD)..... | 54 |
| Figure 15. Shares of the Three Major Groups of Economies in Global FDI Inflows, 1990-2008..... | 55 |
| Figure 16. Share of Manufactured Goods in Developing Countries Exports (1960-2001)..... | 56 |
| Figure 17. Share of Manufactured Exports in 2000 by USAID Regions..... | 56 |

| | |
|--|-----|
| Figure 18. Export Diversification Involves Filling in the Blanks (“Zeros”) | 58 |
| Figure 19. Extensive Margin Exporting Expansion Under USAID TCB Projects | 61 |
| Figure 20. Perspectives on Project Success | 64 |
| Figure 21. USAID FY 2008 Aggregation of Performance Ratings Across Indicators | 65 |
| Figure 22. Average Project Success Score for 231 TCB Projects for Which Intent and Results Could Be Compared..... | 65 |
| Figure 23. Number of TCB Projects Scoring at Each Interval or in Between | 66 |
| Figure 24. Percentage of completed USAID TCB Projects by Success Rating..... | 67 |
| Figure 25. Average Projects Success Scores by USAID Region | 68 |
| Figure 26. Average Projects Success Scores By Results Framework Cluster..... | 68 |
| Figure 27. Average Results Rating by Results Framework Level (N = 231)..... | 69 |
| Figure 28. Average Projects Success Scores By Sector..... | 71 |
| Figure 29. Average Projects Success Scores For Projects That Used Specific Approaches..... | 71 |
| Figure 30. Average Projects Success Scores By Modality..... | 72 |
| Figure 31. Average Projects Success Scores for Projects That Used Specific Approaches | 73 |
| Figure 32. Average Projects Success Scores For Special Focus Projects..... | 73 |
| Figure 33. Performance Scores for Results Framework Clusters | 85 |
| Figure 34. Sector Focus in Projects and Performance Scores | 86 |
| Figure 35. Value Chain and Cluster Approach Overlap and Performance Scores. | 87 |
| Figure 36. Project Beneficiaries Involvement and Performance Scores | 87 |
| Figure 37. Foreign Assistance Delivery Modalities and Performance Scores..... | 89 |
| Figure 38. Percentage of USAID TCB Export-Oriented Projects that Included Products from Specific Sectors (2002-2006)..... | 101 |
| Figure 39. Sector Focus of USAID TCB Projects (Where Sector Emphasis was Clear), by Region | 102 |
| Figure 40. Frequency with which USAID TCB Projects Reported Intended Results, Indicators, Targets, and Baselines..... | 110 |
| Figure 41. Goal Level of the TCB Results Framework | 137 |
| Figure 42. Income gains Reported by the Kenya Horticultural Development Program | 139 |
| Figure 43. RF 1.1 Trade and Investment Performance Improved | 141 |
| Figure 44. Overlapping Sector Focus in Projects. | 146 |
| Figure 45. Value Chain Analysis | 147 |
| Figure 46. RF 2.1 Results Cluster: Private Sector Trade Related Practices Improved | 160 |
| Figure 47. RF 2.2 Results Cluster: Trade-Related Public Sector Practices Improved | 172 |
| Figure 48. Pre-Doha (1958-2001) and New Regional Trade Agreements (RTA) Notified to the GATT/WTO and In Force | 177 |
| Figure 49. USAID TCB Funding for WTO Related Assistance and Regional Trade Agreements..... | 178 |
| Figure 50. RF 2.3 Cluster: More Efficient/Cost-Effective Movement of Traded Goods Across Borders..... | 184 |

ACRONYMS

| | |
|----------------|---|
| ADAR | Agribusiness Development Assistance to Rwanda Project |
| ADS | Automated Directives System |
| AFR | Sub-Saharan Africa |
| AGOA | <i>African Growth and Opportunity Act</i> |
| ANE | Asia and the Near East |
| BSO | Business Support Organizations |
| BTBC | Bolivia Trade and Business Competitiveness |
| CIP | Commodity Import Program (Egypt) |
| DAC | Development Assistance Committee |
| DEC | Development Experience Clearinghouse |
| E&E | Eastern Europe and Eurasia |
| EGAT/EG | Economic Growth Office, Economic Growth, Agriculture, and Trade Bureau, USAID |
| EPA | Export Promotion Agencies |
| ESP | Enhancing Small and Medium Enterprise Performance (C |
| FAST | Finance Alliance for Sustainable Trade |
| FDA | Food and Drug Administration |
| FDI | Foreign Direct Investment |
| GAO | General Accountability Office |
| HTS | Harmonized Tariff Structure |
| ICT | Information and Communication Technology |
| IMF | International Monetary Fund |
| ITC | International Trade Commission |
| LAC | Latin America and the Caribbean |
| LDC | Less-Developed Countries |
| LOP | Life of Project |
| LPI | Logistics Performance Index |
| LSCI | Liner Shipping Connectivity Index |
| MCC | Millennium Challenge Corporation |
| MSI | Management Systems International |
| MSME | Micro-, Small-, and Medium Sized Enterprises |
| NGO | Non-Governmental Organizations |
| OECD | Organization for Economic Cooperation and Development |
| PMP | Performance Monitoring Plans |
| PRA | Poverty Reduction and Alleviation Project (Peru) |
| PVO | Private Voluntary Organizations |
| RAMP | Rebuilding Agricultural Markets Project (Afghanistan) |
| RFP | Request for Proposal |
| RF | Results Framework |
| RTA | Regional Trade Agreement |
| RTP | Regional Trade Promotion |

| | |
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| SEDP | Serbian Enterprise Development Project |
| SITC | Standard International Trade Classification |
| SME | Small- and Medium-Scale Enterprises |
| SOW | Statements of Work |
| SPS | Sanitary and Phytosanitary |
| TCB | Trade Capacity Building |
| TESS | Trade Enhancement for the Service Sector |
| TIRP | Trade and Investment Reform Project (Ghana) |
| TRIPS | Trade-Related Aspects of Intellectual Property Rights |
| UNCTAD | United Nations Conference on Trade and Development |
| USAID | U.S. Agency for International Development |
| USG | United States Government |
| USTR | Office of the United States Trade Representative |
| WATH | West Africa Trade Hub |
| WHO | World Trade Organization |

PREFACE

The United States government provides trade capacity building (TCB) assistance covering a range of programs with the common aim of furthering economic opportunities through global trade and investment. TCB is defined as assistance to help countries negotiate and implement trade agreements and build the physical, human, and institutional capacity to benefit from trade and investment opportunities.

This report presents the findings of a three-phase, cross-country evaluation of U.S. government trade capacity building, with a special focus on the segment of this portfolio that the U.S. Agency for International Development (USAID) administers. The evaluation was carried out for USAID by Management Systems International (MSI). MSI designed the evaluation, analyzed the U.S. government (and particularly USAID) trade capacity building portfolio, collected USAID project and program data, carried out basic statistical and qualitative analysis, and wrote the evaluation report. Invaluable assistance in this effort was provided by MSI's partner on this evaluation, a team of professors and researchers from the University of Pittsburgh who designed and implemented the cross-country regression analysis upon which the report draws. In addition to this full evaluation report, a summary of the evaluation was prepared for USAID for publication as a separate document.

The evaluation team offers special thanks to Brinton Bohling, Senior Advisor, Trade and Investment Programs, in USAID's Economic Growth Office, whose oversight of this evaluation has included significant and much appreciated substantive contributions. The evaluation also thanks the gracious staff in USAID missions, U.S. firms, and U.S. private voluntary organizations who took time out of their busy schedules to locate hundreds of USAID TCB project documents that served as a key data source for the evaluation.

EXECUTIVE SUMMARY

A. OVERVIEW

World trade has undergone a dramatic expansion over the last thirty years. Growth rates for international commerce have surpassed those for both population and production. Coupled with revolutions in transportation and communications, cooperation among governments to open markets and lower trade barriers has enabled this historic expansion. Most remarkably, the share of world trade from developing countries has surpassed that of industrial countries, mirroring a parallel rise in income and purchasing power in the developing world. Even so, not all countries have participated equally in these advances. Many poor countries still strive to fully benefit from integration into global markets. Trade capacity building (TCB) assistance seeks partnerships with these countries and leverages the opportunities presented by trends in technology, market access, and expanding global demand. The ultimate goal of this assistance is to expand the number of people that benefit from global trade.

Overall, this evaluation concludes that USAID and U.S. government programs have contributed substantively toward this goal. Project documents detail a range of successful USAID strategies that help firms and governments meet the demands of the international marketplace, improve the policy environment for trade, and enable countries' trade and logistics systems to function more efficiently. The evaluation found U.S. assistance to be significantly associated with increases in the value of recipient countries' exports, after controlling for a wide range of factors that have influenced international trade flows over the last decade.

Other investigative techniques revealed assistance synergies that can improve the results of TCB assistance. Important among these strategies is working toward more competitive public and private sector practices simultaneously. Synergies are also found in combining training, analysis, technical advice, and equipment to deliver an integrated assistance package. Further analysis revealed the critical importance of strong relations with counterparts and the coordination of assistance with counterparts' own reform processes.

In short, this evaluation found that U.S. TCB assistance since the launch of WTO negotiations in 2001 has had a positive impact in developing countries. The report highlights a number of key opportunities to improve monitoring and evaluation of trade capacity building assistance. These include establishing a framework of intended USAID TCB results and appropriate measures of those results.

B. U.S. TRADE CAPACITY BUILDING ASSISTANCE TO DEVELOPING COUNTRIES

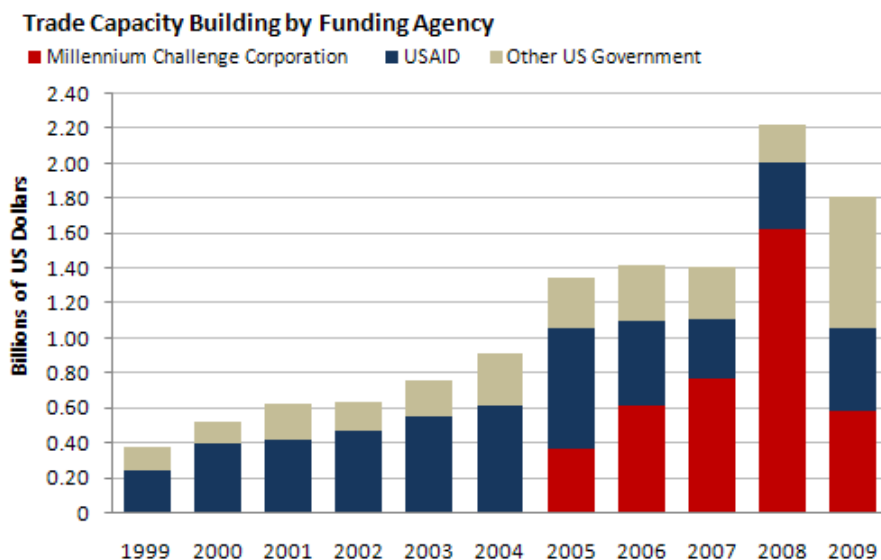
The United States defines trade capacity building assistance, or “aid for trade,” as assistance to help countries negotiate and implement trade agreements and build the physical, human, and institutional capacity to benefit from trade and investment opportunities. Trade capacity building assistance covers a wide range of programs. For example, TCB programs may assist development partners in implementing the provisions of existing trade agreements, participating in new agreements, undertaking trade policy reform, or improving the functioning of government agencies involved in trade—particularly those that affect the time and cost of moving goods across borders. Equally important is the TCB assistance the United States provides to private sector firms, industry associations, farmers, and farmer groups to increase local firms' understanding of and ability to compete in international markets. Often this is accomplished by improving the processes used to produce, package, market, and transport goods. TCB programs work with firms to increase their ability to attract investment or tourism; they also work with partner firms to meet health, safety, and other product requirements of foreign markets.

TCB assistance to developing countries is not new: the U.S. government and USAID have supported trade policy improvements and fostered export development in the countries they assist for many years. With the launch of WTO negotiations and the Doha Development Agenda in 2001, however, discussions about TCB assistance to developing countries took on an increasingly prominent role within the donor community. Developing countries articulated a need for this type of aid, and donor responsiveness to these needs was reaffirmed when the United States and other WTO members supported an aid for trade initiative at the Hong Kong Ministerial in 2005.

Since the start of the Doha Round, the United States has been an important provider of this international development assistance. The United States aid for trade commitment for 2007, reported in the 2009 edition of the WTO–OECD *Aid for Trade at a Glance* report, represented 29 percent of the total commitments of the OECD Development Assistance Committee members. Multilateral funding for aid for trade is an increasingly important component of the total. When all bilateral and multilateral commitments for 2007 were totaled, the United States contribution represented 18 percent of worldwide funding for TCB.

Between 1999 and 2009, the U.S. government obligated over \$12 billion for TCB assistance to developing countries. The vast majority of these funds, or \$8.7 billion, were obligated between 2002 and 2008, as illustrated in the figure below.

During these years, the largest provider of TCB assistance was USAID, which accounted for 42 percent of U.S. trade capacity building obligations. Its level of investment in TCB programs was recently surpassed by the Millennium Challenge Corporation (MCC), which began funding TCB assistance in 2005. In addition to USAID and MCC, more than 20 other U.S. government departments and agencies contribute to this effort. In collaboration with other donors, the United States has given particular attention when programming its TCB funds to those countries participating in the multilateral Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries, initiated in 1997.



Source: U.S. Trade Capacity Building Database

C. EVALUATION PURPOSE

This evaluation examines the results and impact of trade capacity building activities funded and implemented since 2002 by USAID and other U.S. government agencies for the purpose of learning from experience to improve the design and implementation of this assistance. The evaluation also aims to inform USAID and the Office of the U.S. Trade Representative, as co-chairs of the TCB working group, in their efforts to develop an interagency strategy to systematically monitor results and evaluate the effectiveness of TCB assistance.

The evaluation addresses six questions about the impact of the U.S. trade capacity building programs that examine the extent to which USAID trade capacity building projects have achieved their objectives, the factors that contribute to or impede project success, and the means by which performance monitoring and evaluation can be improved.

EVALUATION QUESTIONS

1. To what extent have USAID programs of this type contributed in a measurable way to improved trade capacity in the target countries?
2. What impact have USAID TCB projects had on the firms, individuals, associations, sectors, economies, and government agencies targeted by the interventions?
3. Which activities have been more successful in achieving their objectives, and what were the primary factors responsible for their relative success?
4. What combinations of activities or interventions were more successful and sustainable than others, and what were the primary synergies that contributed to that success?
5. To what extent have the interventions funded by USAID since 2002 succeeded in accomplishing the program's objectives?
6. How can USAID integrate monitoring and evaluation into the design and implementation of TCB programs more systematically?

D. EVALUATION METHODOLOGY

For this evaluation, the MSI team began by gathering TCB funding and activity descriptions reported in the annual TCB survey of U.S. government agencies; this survey is managed by the Economic Growth Office in the USAID Economic Growth, Agriculture, and Trade (EGAT) Bureau, and the data collected are reported online.¹ TCB is often described as an “umbrella” of activities that work through a number of channels to improve recipients’ capacity to engage in international trade. The results of the evaluation team’s initial review of government-wide TCB activities are available online.²

To analyze the impact of USAID TCB projects, the evaluation team developed a Results Framework model that depicts how TCB assistance is hypothesized to improve trade performance. This Results Framework includes USAID’s economic growth goal—*rapid, sustained, broad-based economic growth in target countries* (coded as RF 0.0 in the summary Results Framework diagram shown below)—as the result to which *improved trade and investment performance in target countries* (coded as RF 1.1) contributes. International trade is crucial in encouraging investments in technology and spurring competition that lead to greater productivity and create opportunities

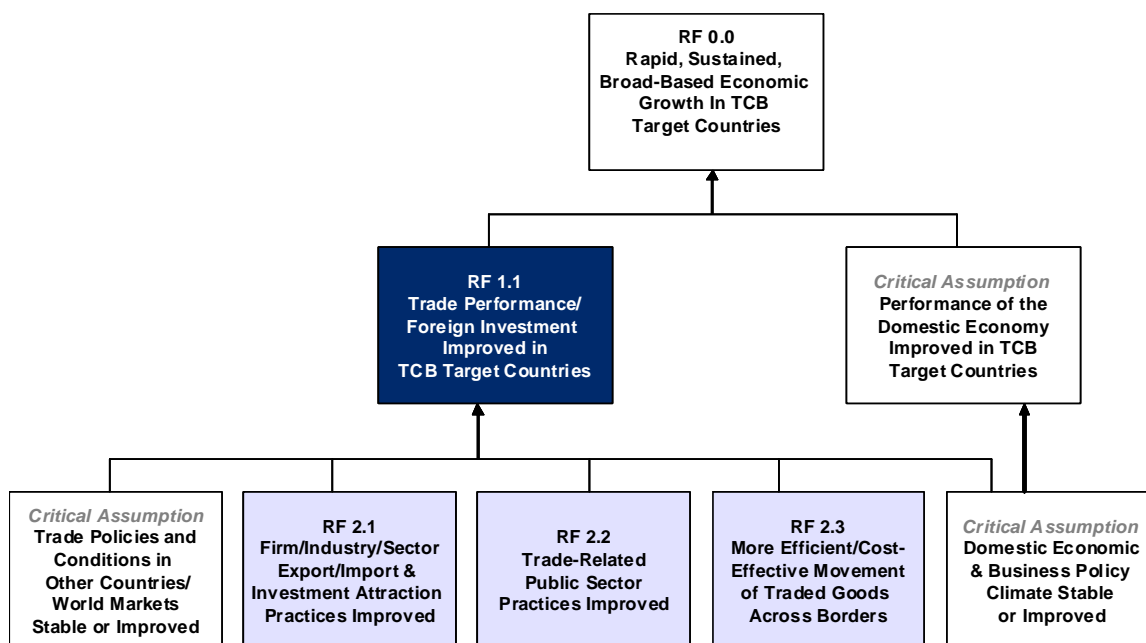
¹ Accessible at <http://tcb.eads.usaidallnet.gov>

² Accessible at http://pdf.usaid.gov/pdf_docs/PNADS401.pdf

for incomes to rise. Support for this proposition exists in economic theory dating from the work of David Ricardo, who used the concept of comparative advantage to explain why buying and selling nations both gain from trade; contemporary empirical studies substantiate this theory. Within USAID, *improved trade and investment performance* (RF 1.1) results visibly demonstrate TCB program successes that justify this assistance. The evaluation identified three clusters of intermediate results, or pathways that are hypothesized to yield improvements in trade performance. The highest result in each of these clusters is shown below in the summary version of the evaluation’s TCB Results Framework diagram.

The first of these clusters, coded as RF 2.1, focuses on the results of improvements in private sector trade-related practices. This results cluster includes assistance aimed at enhancing the capacity of firms and farmer groups to successfully engage in trade. In this evaluation, observable results such as export contracts being signed, new export products being shipped, or new markets being accessed are used to monitor whether firm and farmer group practices have improved. Projects focused on private sector practices include sector-specific assistance, such as support for the improvement of irrigation methods. USAID also assists developing country entrepreneurs in developing basic business skills that help them increase productivity, control quality, identify potential markets, contact potential buyers, and modify products in response to market signals.

RESULTS FRAMEWORK – SUMMARY VERSION



In the middle of the diagram above, a second results cluster, coded as RF 2.2, focuses on the results of improved public sector trade-related practices. This cluster includes assistance that supports more open markets and lower tariff rates, commitments by countries to reduce or eliminate non-tariff barriers, and actions taken to improve the efficiency of various licensing and approval processes. It is on this segment of the Results Framework that the literature on the impact of trade liberalization converges, and empirical studies have demonstrated a direct impact on trade performance from more open and liberal markets.

The third results cluster, shown as RF 2.3, focuses on a hybrid result to which the private and public sectors both contribute, namely the *more efficient and cost-effective movement of traded goods across borders*, measured in terms of both time and cost. While others might construct a logic model for TCB without including this segment separately, the evaluation team’s decision to highlight this hybrid result came in direct response to the

emergence of a new segment of the trade capacity development literature—widely associated with the World Bank Policy Research Working Paper, *Trading on Time* (Djankov, Freund, and Pham 2008)—which demonstrates that improvements in trade facilitation that reduce shipment time and cost have a direct impact on trade performance. Such improvements may include the modernization of customs administrations, application of information technology, enhancements to trade-related infrastructure, and improvements in trade facilitation services provided by the private sector, such as transportation services and trade finance.

Flanking these three clusters in the Results Framework summary diagram are two critical assumptions: one, about external factors that influence trade performance, is shown on the left side of the diagram, and the other, about macroeconomic and business policies, is shown on the right. Trade projects treat both assumptions as being beyond their direct control, even though USAID also funds projects that foster improvements in macroeconomic and business policies in some countries.

To examine the effectiveness of USAID and wider U.S. government TCB assistance, the evaluation team analyzed documentation for 256 USAID TCB projects carried out in 78 countries that, taken together, represent 70 percent of total USAID TCB obligations for projects with a distinct trade focus between 2002 and 2006. The evaluation examined both ongoing and completed projects that represented the full range of funding amounts, scopes, and durations. Drawing upon international trade data for 188 countries and controlling for external factors such as the size of the recipient country’s economy, world economic growth, and other donor TCB assistance, MSI’s partner, a University of Pittsburgh team, used regression analysis to examine the impact of U.S. government and USAID TCB obligations on a cross-country basis. The MSI evaluation team expanded this analysis by identifying patterns of domestic and external factors that appear to have an impact on trade performance at the country level in USAID recipient countries and in countries to which USAID did not provide TCB assistance.

USAID/Washington and the evaluation team made the evaluation’s initial findings available to USAID missions and implementing partners. During a stakeholder consultation period, the evaluation team met with implementing partners and USAID/Washington staff and sent out an e-survey to USAID mission staff to solicit their comments and benefit from their first-hand experience.

E. EVALUATION CONCLUSIONS AND FINDINGS THAT SUPPORT THEM

The six evaluation questions on which the evaluation focused are answered below. The conclusions reached are supported by evaluation findings.

Question 1: To what extent have USAID programs of this type contributed in a measurable way to improved trade capacity in the target countries?

To answer this question, the evaluation focused on trade transactions and related results that demonstrate improved trade capacity. The most ambitious trade-specific result in this regard is shown in RF 1.1 in the Results Framework, *improved trade and investment performance in TCB target countries*. In this evaluation, changes in the levels of developing country exports, imports, and foreign direct investment served as measures of RF 1.1 improvements in trade performance. The selection of these indicators to demonstrate improved trade capacity is consistent with USAID’s TCB strategy and project aims, as well as with discussions held with USAID at the start of this evaluation.

Conclusions:

- USAID TCB projects have a positive effect on developing country exports, even in very poor countries and those dealing with conflict within their borders. At the national level, the statistical association found by the evaluation between export gains and TCB assistance varies depending on the status of a number of critical external and domestic factors that are known to significantly influence developing country export performance.
- Export gains associated with USAID TCB projects stem from modest investments directed at trade facilitation and improvements in government practices, as well as from larger investments in projects that work directly with exporters. There are synergies among these three pathways to improved trade performance.

Findings that support these conclusions are discussed below.

Finding: USAID TCB projects have a positive effect on developing country exports.

The evaluation found evidence of exports valued in millions of dollars in project performance reports from 97 USAID projects carried out in 60 developing countries. These projects varied as to how they reported on exports, but all provided quantitative data on exports in project documentation. Some focused on the value of export deals facilitated by USAID; for example: *127 export trade deals worth of \$21,556,129 to supply goods to 20 countries.* Less frequently encountered, but more indicative of the impact of these exports, were reports that placed project exports in a country-specific context; for example: *\$21.2 million over the past 2.5 years represented 63% of the overall increase in exports to the United States in the following sectors: wood manufactures; textiles and clothing; leather; and jewelry.* Supplementary data from national statistics and third-party reports yielded examples of other USAID project exports that have had a discernable national-level impact, including trout and artichokes from Peru, flowers and vanilla from Uganda, software from Egypt, certified forest products from Bolivia, and upscale coffee from Rwanda.

Finding: Agricultural products dominate the USAID TCB project portfolio.

Agricultural products dominated in 78 percent of the projects that focused on specific products/services, some of which were traditional exports. Products exported with support from USAID TCB projects included more than 18 types of agricultural products at the two-digit SITC level and more than 12 types of manufactured products. Another nine projects reported tourism earnings or an increase in the number of tourists visiting each year. During the stakeholder consultation phase of the evaluation, USAID staff and implementing partners suggested that a high level of investment in agriculture was consistent with their view of how the development process evolves and seemed to fit well with conditions in the countries in which they worked. In their view, agricultural products had a more direct link to poverty reduction than did products in other sectors.

Complementing these project-specific results, the regression analysis the evaluation carried out showed a statistically significant association between USAID TCB obligations and export gains in assisted countries when exports were lagged by two years. This association is temporally consistent with USAID's development hypothesis about the impact of TCB projects. The regression also showed that, while there was a positive and significant association with exports measured in terms of value, the same did not apply to export volumes. This suggests, among other things, that developing country exporters are earning more for the same volume of production they shipped in the past. Discussions with USAID implementing partners highlighted explicit efforts made in projects to tailor production for upscale and niche markets that yield high returns, such as coffee targeted to Starbucks customers, sliced packaged fruits, fruit juices, and specialty vegetables.

Finding: On a predictive basis, the results of the regression show that an additional \$1 of USAID TCB assistance is associated with a \$42 increase in the value of developing country exports two years hence.

The regression analysis found a statistically significant relationship between USAID TCB obligations and developing country exports which, on a predictive basis, indicates that each additional \$1 invested by USAID is associated with a \$42 increase in the value of developing country exports two years later. This analysis was carried out a second time, switching the focus from USAID investments to total U.S. government investments in TCB (including those made by USAID). This government-wide version of the analysis showed that, on a predictive basis, each additional \$1 invested is associated with a \$53 increase in the value of developing country exports two years later. In the second analysis, USAID TCB assistance accounts for close to 80 percent of the higher government-wide return.

The regression analysis also showed that the relationship between USAID TCB obligations and developing country exports is strong in countries that are challenging from an export expansion perspective. These include countries with a higher-than-average need for aid for trade assistance (based on a GDP proxy for “need”), landlocked countries, countries that are distant from the center of the world trading system, and countries that participate in the multi-donor Integrated Framework process for providing trade assistance to least developed countries. Project-level information also suggests that export success is achievable even in countries that are dealing with conflict within their borders. In Afghanistan, for example, a USAID TCB project produced exports of *dry vegetables and fruits, fresh fruits, and nuts during 2005 and in the first six months of 2006, valued at US\$1.37 million, which shipped to Western Europe, Russia, Ukraine, India, and the Gulf countries.* Destinations listed in this example are consistent with the regression finding that the relationship between USAID TCB obligations was stronger for exports to countries other than the United States, as a group, than it was for exports to the United States.

While a positive and significant association was found for exports, the regression did not find a significant relationship between TCB obligations and imports, foreign direct investment, or the status of assisted countries on an international measure of export concentration, nor did the evaluation team’s review of changes on an international measure of export diversification suggest a strong connection to TCB obligations. Country case information indicates that the export effects of USAID-supported projects are sometimes obscured by national export patterns. For example, the Philippines experienced poor export earnings between 2002 and 2008 due to weak sales of electronics products, the country’s top export; however, when disaggregated, export statistics showed the country had in fact made gains for other products, including seaweed—the focus of a USAID export project in the southern Philippines. Similarly, in Bolivia, USAID projects contributed to non-traditional export gains, but these gains were overshadowed by a sharp increase in the export of oil and gas that made Bolivia’s UNCTAD export concentration rating higher at the end of this period than at the beginning.

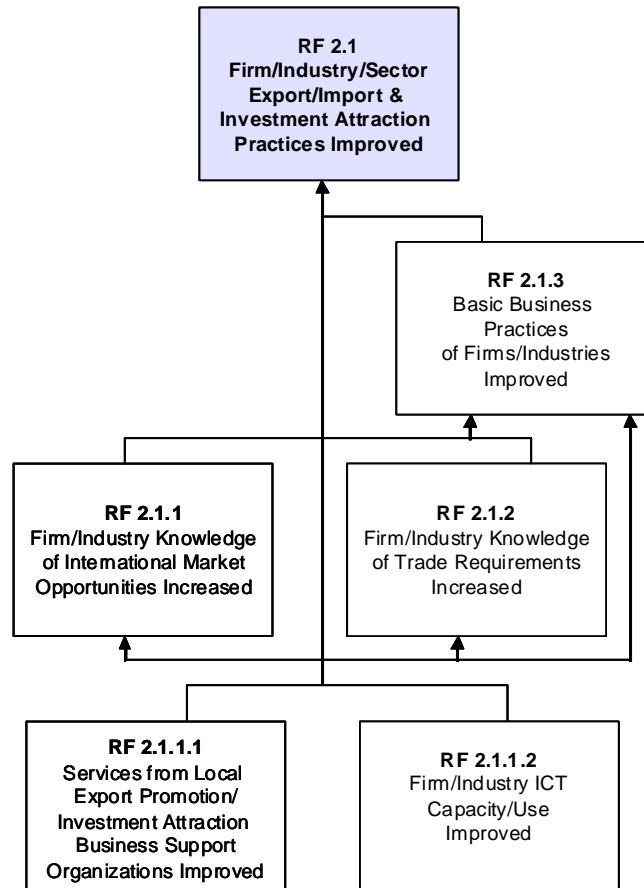
Finding: USAID TCB programs act along several pathways that contribute both individually and collectively to improving developing country trade performance.

In some USAID TCB projects, synergistic effects were evident among the three results clusters or pathways that lead to improved trade performance, as described above. For example, one project report noted that success was *due to the integration and synergy achieved between the policy and agribusiness components, which worked through numerous alliances with producers’ organizations, NGOs, and education and research institutions.* The evaluation found that projects that deliberately integrated activities along these pathways were more likely to achieve their objectives and meet their performance targets than projects that focused on only one of these pathways. Results in each of the three results clusters identified in the summary Results Framework diagram are described in the following paragraphs.

Improvements in Private Sector Trade-Related Practices

USAID RF 2.1 (private sector practices) is a cluster that encompasses private sector gains in knowledge about international markets and technical requirements for exporting, as well as improvements in production, management, and marketing. All of the results in this cluster are shown in the RF 2.1 (private sector practices) diagram below.

RESULTS FRAMEWORK – RF 2.1 (PRIVATE SECTOR PRACTICES)



Technical assistance and training services provided to exporters, along with assistance that improves their access to and use of communications technologies, help to change private sector practices. Such changes are most effectively demonstrated by their results: export contracts signed, more timely delivery of goods, new products sold internationally, or new markets accessed.

The evaluation found that 72 percent of USAID TCB obligations for projects with a distinct trade focus flow along this private sector practices improvement pathway and result in new or expanded contracts for the export of developing country goods. In 18 USAID TCB projects new export products ranging from specialty vegetables to surgical instruments were shipped to new or existing export markets. While USAID project performance reports document new products developed and sold in international markets, the way in which they define new products is not aligned with product classifications as defined by the harmonized tariff classification system. This difference limits USAID's ability to trace the effect of project exports to the national level.

For 28 USAID projects, improvements in private sector practices resulted in products meeting international standards that enhanced their competitiveness in international markets. Intermediate results along this pathway demonstrated the adoption of new technologies and technical practices among firms and farmer groups, including such techniques as raised-bed planting and the introduction of conservation practices in agricultural areas. Some projects traced direct linkages between training provided by projects and increased earnings; for example, a report from one project indicated that *results from milling trainings have seen production of class 1 and 2 lumber rise from 17 percent to 54 percent, which allows the community to receive a higher market price for its board wood*. Production and productivity improvements that increase the competitiveness of developing country products were reported by 37 USAID TCB projects; for example: *firm productivity in the design phase has increased by 26 percent—it now takes on average four fewer days to complete an order*.

The regression analysis carried out by the evaluation found RF 2.1 (private sector practices) obligations to be associated with increases in developing country exports at a statistically significant level, independent of other USAID and U.S. government TCB obligations. Intermediate outcomes along this pathway enhance developing country responsiveness to market opportunities. The regression analysis also found that TCB obligations for RF 2.1 (private sector practices) were associated with a statistically significant increase in the number of products countries exported at the SITC three-digit level, as were USAID TCB obligations for e-commerce.

Improvements in Public Sector Trade-Related Practices

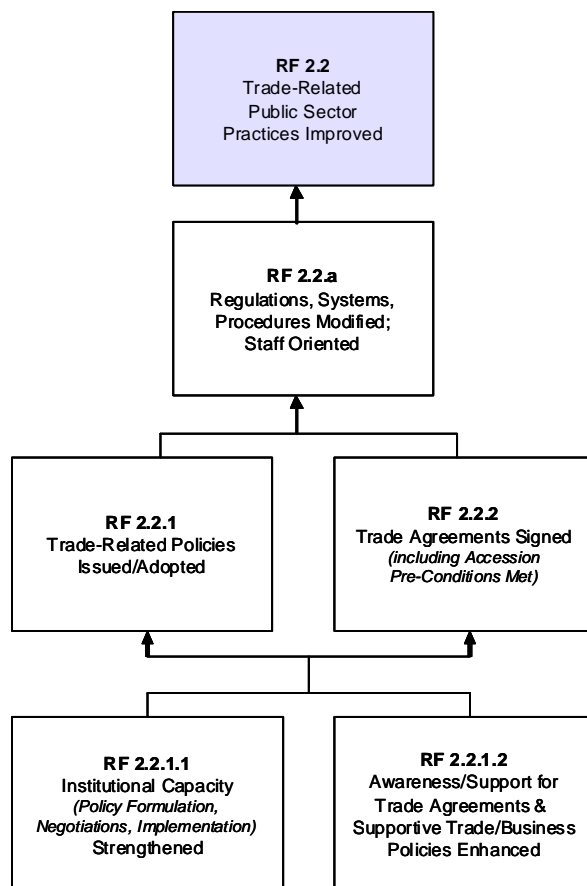
Results of improvements in the RF 2.2 (public sector practices) cluster, including trade policy reforms and actions taken to implement the terms of trade agreements, contribute to enhanced trade performance by improving market access for developing country products, lowering the cost of imported inputs, improving a country's terms of trade, and enhancing the attractiveness of countries as investment and tourism destinations. Results along this pathway are shown in the RF 2.2 (public sector practices) cluster diagram below.

Fifteen percent of directly trade-related USAID TCB obligations flow along the RF 2.2 (public sector practices) pathway. In stakeholder consultations, USAID staff and USAID implementing partners characterized projects that focus on public sector practices—including trade agreements, trade policies, and their implementation—as being cost-effective relative to projects that work with large numbers of producers to improve and increase their exports.

The regression analysis for this pathway found a statistically significant association between USAID TCB obligations dedicated to RF 2.2 (public sector practices) and applied tariff weighted averages in assisted countries, as well as for the number of duty-free lines in tariff schedules and country scores on the Heritage Foundation's Trade Freedom Index. Changes in the Heritage Foundation Trade Freedom Index may reflect the elimination of barriers to investment and export controls that can have a direct bearing on assisted country export earnings.

Projects in this cluster that foster trade agreements contribute to improved market access. Project reports showed that 23 USAID TCB projects provided assistance to countries on WTO accession and the implementation of WTO agreements. Between 2002 and 2008, seven countries that USAID assisted acceded to the WTO, and another four initiated their applications. Since the WTO's establishment, USAID has helped 12 countries join this multilateral institution.

RESULTS FRAMEWORK – RF 2.2 (PUBLIC SECTOR PRACTICES)



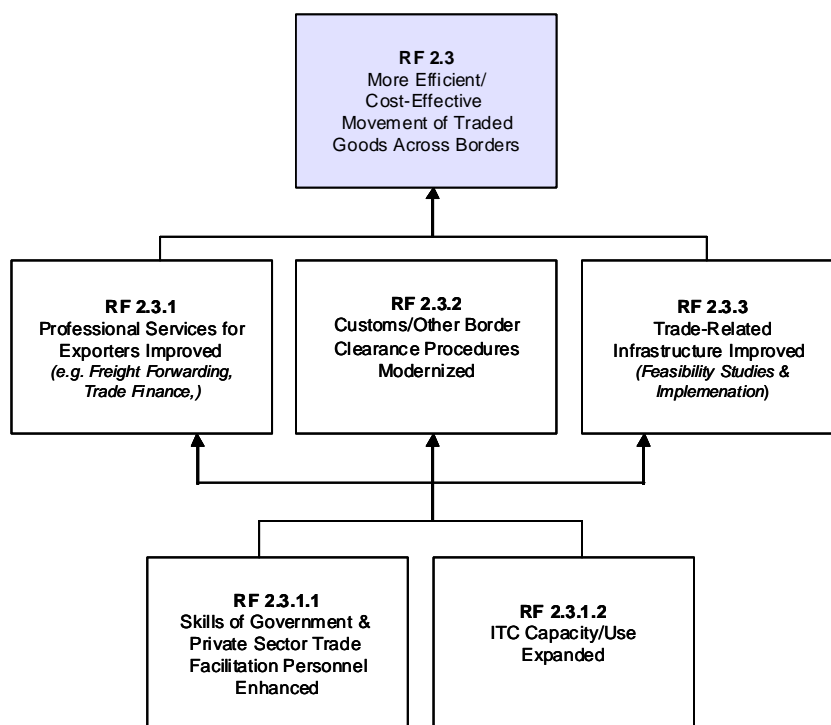
Through 10 other projects, USAID assisted countries in implementing regional trade agreements; it also provided support for four bilateral free trade agreements that were signed in those years. In addition to these market-opening agreements, 15 USAID TCB projects assisted countries in adopting new trade-related policies and laws outside of the context of a trade agreement.

Legislative drafting and the simplification of administrative forms at the RF 2.2.a level of the Results Framework (improved regulations, systems and procedures) play a role in enhancing the competitiveness of a country. Most projects focused on improving public sector trade-related practices reported achieving their intended results. The evaluation also found, however, that, at the RF 2.2.1.1. level, TCB projects focused on strengthening trade ministries and other trade agencies sometimes failed to articulate specific milestones and results that could demonstrate whether these institutions had actually been strengthened.

More Efficient/Cost Effective Movement of Traded Goods across Borders

Recent research, including *Trading on Time* (cited above), has drawn attention to the detrimental effect of the high costs, in terms of both time and resources, of moving goods across borders in developing countries. A wide range of factors contribute to this problem, including inadequate trade-related infrastructure, lengthy and complicated customs and border crossing procedures, high domestic transport costs (associated with inefficiencies and, in some cases, monopolistic practices), and gaps in the availability of trade-related services to exporters. Such trade-related services include trade finance, which is particularly critical for small- and medium-scale businesses, and freight forwarding services, such as warehousing and cold storage transport. Results in all of these areas are included in the RF 2.3 (trade facilitation) cluster diagram below.

RESULTS FRAMEWORK – RF 2.3 (TRADE FACILITATION)



The evaluation found that 13 percent of USAID TCB obligations flow through RF 2.3 (trade facilitation) projects between 2002 and 2006, making this the smallest of the three results clusters.

At the project level, the evaluation found 28 USAID TCB projects that worked with customs administrations in developing countries to reduce the customs portion of the time and cost required to ship goods. For 11 of these projects, performance reports showed that the time to clear customs had been reduced; for example, one report stated that *by introducing e-payments, the project reduced the time for processing duty payments from 2-3 days to 1-2 hours*. USAID programs to streamline customs documentation also contributed to reductions in transport time. Along the Trans-Kalahari Corridor that cuts across Namibia, Botswana, and South Africa, USAID TCB assistance helped *reduce more than a dozen customs forms to a single customs document, which has reduced costs as well as the time required to move goods along these regional frontiers*. While limited in number, USAID also funded TCB projects aimed at improving the efficiency of ports and air transport, and projects that improved the tracking of shipments. In several projects, USAID was able to facilitate the movement of goods by introducing purchase orders as a mechanism to supply trade finance to small-scale exporters.

The regression for RF 2.3 (trade facilitation) examined USAID TCB obligations in relation to both the World Bank Logistics Performance Index (LPI)—an international time series introduced in 2007—and to a customs factor developed by the evaluation team. This analysis did not yield statistically significant results, although country-level case materials show that the customs sub-factor of the LPI did improve in five countries that received USAID TCB assistance. Notably, the regression found a statistically significant association between RF 2.3 (trade facilitation) obligations and Heritage Trade Freedom Index scores that were also used as an RF 2.2 (public sector practices) outcome measure. This linkage appears to reflect changes in the customs component of the Heritage Index.

Finding: A number of critical factors are known to significantly influence developing country export performance, including world prices and economic growth rates and domestic economic and business policies. USAID TCB assistance contributes within this broader context.

As indicated above, TCB assistance is one of many factors that have an influence on developing country export performance. Recent empirical studies classify those factors that influence export growth as either external or internal factors. On the external side, studies have found foreign market access and world prices to be significant determinants of export growth. On the internal (or domestic) side, studies have shown that a country's GDP, export growth in recent quarters, terms of trade, real exchange rate, macroeconomic environment, internal transport infrastructure (as captured by the percentage of paved roads), and the size of a country's domestic market are significant determinants of export growth. Conversely, an overvalued currency negatively affected export growth, while a country's total population does not appear to have a significant impact on export growth. Findings from the evaluation's regression analysis are consistent with the results of these studies.

The evaluation team examined the status of several of the domestic and external factors listed above in TCB recipient and non-recipient countries to help explain why countries with roughly the same levels of USAID TCB assistance realized very different levels of export gains, as well as why countries that received little or no USAID TCB assistance sometimes did well on measures of export performance. Evaluation findings reveal that high levels of export gains were somewhat more likely among TCB recipients, with similar levels of USAID TCB funding, in countries that are involved in trade agreements or have recently improved their micro-economic, trade, or macro-economic policies. Many of these characteristics appear to be absent in countries with low export gains, including countries that received high levels of USAID TCB assistance. The analysis also showed that commodity prices, which rose for agricultural commodities and extractives between 2002 and 2008, appear to influence export levels, regardless of whether countries receive high or low levels of USAID TCB assistance, or none at all.

Question 2: What impacts have USAID TCB projects had on the firms, individuals, associations, sectors, economies, and government agencies targeted by the interventions?

The impact of TCB assistance can be discerned for individuals involved with USAID projects and their families, and to some extent for institutions and products. Less easy to identify are impacts at the sector level, or for economies as a whole, with the exception of export gains as described above. With respect to this question, two conclusions emerged.

Conclusions:

- Involvement in USAID TCB projects affects how people, businesses, and governments understand, interact with, and benefit from the global economy.
- The full impact of USAID TCB assistance on individuals, institutions, sectors, and economies is not visible in project-level reports. Impacts that are easily observed and quantified, such as jobs created by projects, may in some instances be less significant than those that are more difficult to observe and measure, such as the impact of a transparent and predictable policy process in developing countries.

Evaluation findings that contribute these conclusions are summarized below.

Impact on Individuals and Families

Finding: USAID TCB projects have discernable employment and income impacts on individuals and families

Jobs created by projects and higher incomes earned by project participants are the most visible impacts of USAID TCB assistance on individuals and families. In the TCB Results Framework, such outcomes are associated with USAID's goal of *rapid, broad-based economic growth* (RF 0.0). Project reports indicate that new jobs were created in 25 percent of the USAID TCB projects examined. Some projects reported full-time jobs while others described part-time jobs created in firms and on farms that received USAID assistance; 12% of these projects provided gender-specific information on male and female employment gains. For eight percent of the projects examined, reports described income gains at the individual or household level; for example, one report stated that *coffee growers participating in the project increased their average net income from \$240 to \$945*. For another project, a project evaluation described income gains at the family level, estimating that *for every project participant whose income rose, the welfare of an additional three to six other individuals improved*.

While easily observed and measured, such job and income improvements affect only those individuals directly reached by specific USAID TCB projects. The evaluation did not find instances where broader measures of the impact of TCB assistance on people were used; for example, no project reports were found that attempted to calculate the effect of jobs created by USAID TCB projects on net employment or poverty rates at a regional or national level. Other impacts of USAID trade assistance that are difficult to capture include, for example, the effect on families of a decline in prices for imported goods that results from tariff reductions realized when TCB projects facilitate trade agreements. Tariff changes generally benefit a much larger number of people than do export promotion projects that work with a limited number of firms. Similarly, in countries where export gains have a clear impact on the country's economic growth rate, the impact of this economic growth is felt by many people but is not documented in project performance reports.

Impact on Firms, Farmer Groups and Associations

Finding: Firms and farmer groups are the primary beneficiaries of most USAID TCB projects.

The number of USAID TCB projects that focused on firms and farmer groups engaged in exporting (154) under RF 2.1 (private sector practices) was more than double the number of those that focused on government agencies (71). The impact that firms and farmer groups experienced as a result of TCB projects is largely a function of technology and productivity improvements and enhanced international marketing skills that translate into revenue gains. As reported in documents for 52 projects, firms also benefited from improvements in electronic communications. While the number of projects reporting specific business improvements in firms was relatively high (130), only a few of these projects (18) collected and reported data on revenue gains from valued-added export production.

Private sector firms also have an important role to play under RF 2.3 (trade facilitation), providing transport, storage, trade finance, and other services associated with moving exports from their point of production to a country's borders. However, from 2002 through 2008, very few USAID TCB projects were undertaken that focused on improving private sector provision of these types of trade facilitation services.

Little information on the sustainability of exporting firms and farmer groups was found in project performance reports or evaluations. Such reports are produced before USAID funding ends, and thus can only comment on sustainability plans and expectations. During the evaluation's stakeholder consultation sessions, USAID implementing partners suggested that, barring significant disruptions in international markets, sustainability in exporting was not likely to be an issue for firms and farmer groups that were successfully exporting by the end of a USAID project.

In addition to exporters, USAID TCB projects worked with both private sector service firms and non-profit organizations that provided business services and specialized assistance to exporters, including assistance in

entering international markets and complying with technical requirements associated with exporting. Project records show that a small number these service providers were associations, and, in six instances, USAID worked with government agencies to enhance the exporting skills of firms. Project-level reports provided little information about the sustainability of service organizations and associations assisted by TCB projects. The evaluation team did, however, find evidence in recent press reports and on organization websites indicating that many of the service organizations with which USAID projects worked are continuing to provide the kinds of services to exporters that they provided under USAID TCB projects. For example, internet searches revealed that, among the associations with which USAID worked, the Uganda Flower Exporters Association and the Egyptian Exporters Association were still active in 2010, as was the Association of Apparel and Textile Exporters in Bulgaria. The Maraba Coffee Growers Association that USAID worked with in Rwanda is now a cooperative and is currently working with a local coffee marketing company on exporting Rwanda's Café de Maraba to London.

During stakeholder consultations at the end of the evaluation, USAID implementing partners indicated that not every service firm that receives USAID assistance should be expected to survive: even if some do not survive, these partners ventured, the country still benefits from their improved skills when they shift to new or more viable local organizations. Greater confidence was expressed concerning the sustainability of trade support services offered by government agencies that USAID has assisted and by associations that were already relatively strong by the time USAID TCB projects ended.

Impact on Government Agencies

Relative to the number of firms assisted, government agencies were a small beneficiary group, even when customs administrations were included. With the exception of customs administrations and several export and import support agencies that USAID projects assisted, for which quantitative results were reported, the outcome-level results of TCB assistance to trade ministries tends to be reported in qualitative and sometimes anecdotal terms.

In customs administration projects, intended outcomes were often clear, such as paperwork reduced, processing time decreased, and, in some projects, revenue increased. Intermediate results measured for customs projects were clearly related to those objectives: new inspectors hired, staff trained, or study tours completed. These projects also had clear measures of the outcomes to be realized based on changes in knowledge and skills, e.g., forms modified, tariff schedules updated, or public awareness of customs rules and fees increased.

Similarly, with trade support agencies, intended outcomes of program efforts (for example, increased volume of exports or level of foreign direct investment) are also reasonably clear, but are not necessarily fully attributable to assisted agencies. Several projects reported that the export promotion or investment offices or agencies they worked with had been created with USAID TCB assistance

In projects aimed at strengthening trade ministries, numbers of training events held and numbers of staff trained were frequently used as proxy indicators of capacity improvement; however, such indicators do not capture what government officials actually learn nor the extent to which they apply the knowledge and skills that training programs seek to impart. In other ministry support projects, performance measures focused on the assistance provided by USAID implementing partners, such as laws drafted or regulations reviewed, rather than on changes in the ministries they assisted. These findings are consistent with aid for trade evaluations conducted by other donors that suggest that direct measures of government agency capacity improvement are not well developed. This problem is not specific to trade: projects that assist ministries of agriculture, health, and education face similar challenges.

Impact on Products, Sectors, and Economies

USAID TCB assistance most often focused on products rather than sectors, though some projects did include assistance on sector-specific policies, primarily in agriculture. An exception in this regard may be

tourism in Eastern Europe, where USAID TCB projects provided early support for tourism, which has since grown into an important sector in countries such as Croatia.

With respect to the impact of USAID TCB assistance on whole economies, the most significant quantifiable effects detected were those on exports. Less observable were the economy-wide effects of trade agreements and other trade policy reforms adopted by governments and encouraged by TCB projects.

Question 3: Which activities have been more successful in achieving their objectives, and what were the primary factors for their relative success?

Following an extensive search for USAID TCB project documents and a systematic review of those projects for which performance records were located, the evaluation reached the following conclusions:

Conclusions:

- USAID TCB projects reported on achievements at the outcome as well as the output level, though not necessarily against predefined performance targets.
- Where performance targets were present, TCB projects generally achieved all or most of the targets established: no more than 10 percent of projects appear to have had faced significant problems in this regard. Some TCB projects were negatively affected by start-up problems and problems with partner organizations that are typical of development projects in all sectors.

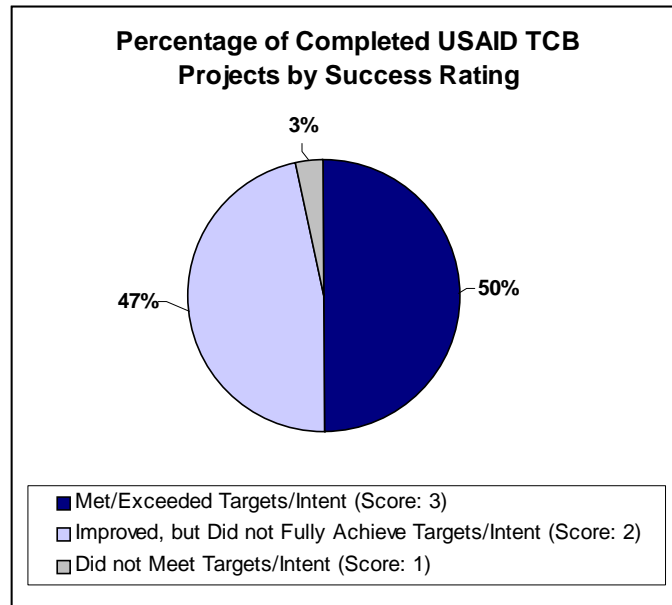
Among the 30 percent of directly trade-related USAID TCB projects for which documents were located, it was clear that performance monitoring is a well-accepted practice.

Virtually all of these projects identified intended results and performance indicators and reported on achievements, though not necessarily against predetermined performance targets on indicators for which baseline data had been collected. The majority of USAID TCB projects examined in this evaluation lacked performance targets (56 percent) and baseline data (80 percent).

Finding: On a USAID performance scale, USAID TCB projects received an average score of 2.7 out of 3.

The evaluation rated project success using an existing three-point performance scale that was developed by USAID and adapted by the evaluation team for the purposes of this evaluation. The average score for TCB projects on this performance scale was 2.737 out of a maximum possible score of 3.0. Of 213 projects scored using this system, 74 percent scored at or above this average.

When scores for USAID TCB projects that ended in 2008 or earlier were rounded to the nearest whole number, 50 percent received the highest possible rating (a score of three) meaning they “met or exceeded” their targets or objectives, as illustrated in the figure below. Another 47 percent were given a score of two for progress that did not fully meet project targets—which, in a number of cases, meant that projects nevertheless produced strong results. A final three percent received a score of one, meaning that they had failed to meet, or even come to close to meeting, their targets.



Less than 10 percent of the projects scored received scores of two or lower and were considered to have serious problems. Among projects that received low success scores, problems with project startup and problems with partners were statistically significant, though typical for development projects in all sectors. Other frequently mentioned problems that did not negatively affect project scores to the same degree were those related to modifications to the project design or budget (through which USAID sometimes lowered the funding level available for the project), weaknesses in project design, and weaknesses in critical assumptions, each of which was noted in at least 12 percent of the projects scored. Conversely, factors frequently cited as being conducive to project success included strong collaboration among partners, good management, and beneficiaries' recognition of their role in ensuring project success.

When the scoring system described above was used to compare the success of projects with various characteristics to each other, it revealed the following:

- Agriculture projects and projects that focused on services scored higher than TCB projects that focused on manufacturing. In manufacturing projects, it was not unusual to see that targets were met for some, but not all, of the products on which a project focused. In stakeholder consultation sessions, implementing partners described manufacturing projects as taking longer to achieve results and costing more than agriculture projects that yield returns in a single growing season.
- Projects that involved a public-private sector dialogue in the RF 2.2 cluster (public sector practices) and those that used a value chain or cluster approach to export projects in the RF 2.1 cluster (private sector practices) all scored better than the average.
- Similarly, projects with an explicit focus on women or the poor scored better than the average.

As noted above, these scores do not represent all USAID TCB projects. Given the difficulties the evaluation team encountered when trying to locate project documents, MSI identified the absence of complete, centralized documentation on TCB projects within USAID as problem.

Question 4: What combinations of activities or interventions were more successful and sustainable than others, and what were the primary synergies that contributed to that success?

Findings about combinations of project elements that were more and less effective draw on information from the project scoring system discussed above. With respect to this question, the evaluation team reached the following conclusions:

Conclusions:

- Synergies among USAID TCB project elements (such as the modalities through which assistance is delivered) and synergies between projects and the environment in which they operate contribute to the achievement of project objectives.
- Improvements realized with USAID TCB project assistance are most likely to be sustained when future funding sources are clear: for example, when revenues from export earnings will sustain improved private sector practices, or when government investments will sustain support services to exporters or the implementation of trade policies and agreements.

A key finding in relation to this evaluation question was that most projects involved a combination of elements along at least one project dimension. The term dimension refers to results clusters, modes of delivering assistance, institutional beneficiaries, or sectors. On the results cluster dimension (RF 2.1, RF 2.2 and RF 2.3), 58 percent of projects focused on results in more than one of these clusters. On the assistance modality dimension, 79 percent of projects used more than one approach to deliver assistance, e.g., provided both training and advisory services; and 59 percent involved more than one type of institutional beneficiary, i.e., firms engaged in exporting, business support organizations, or government agencies. On the sector dimension, 31 percent of projects involved products from more than one sector or included services as well as products.

Finding: Projects that combined assistance modalities (technical assistance, training, equipment) and those that combined efforts to expand exporting with policy improvements were synergistic in ways that raised project success scores, but this was not true for projects that focused on exports from multiple sectors.

Projects that involved combinations of elements on one or more of the dimensions described above generally achieved higher success scores than projects that did not.

- Projects aimed at achieving results in more than one results cluster scored higher than did projects focused on a single results cluster.
- Similarly, projects that delivered TCB assistance through several modalities (such as technical assistance, training, or equipment) consistently scored higher than those that used only one modality.

The fact that projects that combined efforts to improve public and private sector trade-related practices scored well on the evaluation's success measure appears to confirm the importance of achieving synergy between the public and private sectors on trade initiatives.

Combinations involving multiple sectors were not as effective as other types of project combinations. Some projects that focused on a mix of agricultural, manufactured and service products did well, but the overall pattern was for projects involving products from multiple sectors to receive lower scores than those focused on a single sector. Findings were similar for projects that focused on multiple institutional beneficiaries. While it may be synergistic to focus on private sector firms engaged in exporting and on policies that affect those firms, focusing on the institutional capacity and wellbeing of both government agencies and firms may not be.

Such synergies were not frequently discussed in project reports or evaluations. Where such descriptions were found, they tended to confirm the value of focusing on both the public and private sector in export-oriented projects; for example, one project indicated that its *success was also due to the integration and synergy achieved between the policy and agribusiness components, which worked through numerous alliances with producers' organizations, NGOs, and education and research institutions*. Narrative reports of this type are consistent with interactions described in empirical literature and depicted in the Results Framework diagrams shown earlier: that is, progress along each of the pathways to improved trade performance is important, but a focus on multiple pathways may yield stronger results than a focus on a single pathway.

Question 5: To what extent have the interventions funded by USAID since 2002 succeeded in accomplishing the program's objectives?

In this evaluation, the program objectives examined were those identified by USAID in its 2003 Trade Capacity Building Strategy Paper. This strategy paper explained that investments in trade capacity building aim to increase the number of developing countries that are harnessing global economic forces, namely trade and investment, to accelerate growth and increase incomes. It identified three priorities for action—(a) *trade agreements*, (b) *their implementation*, and (c) *taking advantage of trade opportunities, primarily through the private sector*—and explicitly stated that the bulk of TCB attention should be focused on the private sector. The evaluation team examined USAID mission strategy statements and the USAID TCB project portfolio to determine whether they were aligned with these priorities and what results they had yielded.

Conclusions:

- USAID's 2003 TCB Strategy Paper was highly influential in shaping the USAID TCB portfolio. Results were achieved on each of the strategy's priorities.
- The usefulness of this strategy paper as a guide to action diminishes as time passes and the base of empirical literature on trade capacity building and U.S. development assistance policy evolves.

The evaluation found USAID's TCB portfolio to be highly consistent with its 2003 TCB Strategy Paper in a number of regards.

Finding: USAID's TCB project portfolio reflects the objectives and action priorities found in the 2003 strategy paper.

The Results Framework used in the evaluation incorporates the priorities established in USAID's 2003 TCB strategy paper and helps document the extent of that paper's influence on the portfolio. The first two priorities identified in the strategy paper fall under RF 2.2 (public sector practices), and the third—where the bulk of USAID TCB attention was to be focused—falls under RF 2.1 (private sector practices). Data from the evaluation show that 72 percent of USAID's TCB obligations between 2002 and 2006 flowed to RF 2.1, which is consistent with the intent expressed in the strategy paper. Additionally, mission strategies developed between 2004 and 2006, which the evaluation team located in USAID's Development Experience Clearinghouse, reflect an awareness of the 2003 strategy paper, as evidenced through the language they used and the priorities they established. Some, including the USAID/Jordan trade strategy from this era, directly adopted the 2003 strategy paper's three priorities as their objectives.

The 2003 TCB Strategy Paper did not establish priorities with respect to sectors, but it did mention agriculture frequently. Some language in this paper linked investments in agriculture to poverty reduction, primarily in terms of creating immediate jobs and income for project participants. Whether in response to the agriculture–poverty linkage expressed in the strategy paper or not, agricultural products were found to dominate USAID's TCB export development portfolio under RF 2.1 (private sector practices). Furthermore, as noted above, stakeholder consultation sessions and e-survey responses indicated that agricultural projects

are considered by USAID staff and implementing partners to be well suited for the countries in which USAID works. This emphasis on agriculture is not entirely consistent with empirical studies on trade performance that associate high developing country export growth rates with manufactured exports.

Since the strategy paper was issued in 2003, new information has become available and new policies have been adopted that appear to have implications for USAID's TCB strategy. Empirical studies have emerged which suggest that trade facilitation improvements that lower the time and cost of moving goods across borders have a measurable effect on total trade in developing countries. In addition, the recently issued Presidential Directive on Global Development, which includes a challenge to invest in "game changing innovations" and to strengthen the linkage between U.S. assistance programs and country development plans, may also have implications for USAID's TCB strategy.

Question 6: How can USAID integrate monitoring and evaluation into the design and implementation of TCB programs more systematically?

To provide a basis for recommendations aimed at improving USAID's monitoring and evaluation of TCB projects and programs, the evaluation team examined current USAID TCB performance monitoring and evaluation practices and reached two conclusions:

Conclusions:

- TCB performance management practices would benefit from fuller implementation of USAID guidance on developing Results Frameworks, setting performance targets, and collecting baseline data.
- TCB evaluations are limited in number, as well as in the strength of the evidence they bring to bear. In this regard, current evaluation practice for TCB resembles current evaluation practice elsewhere in the Agency.

While the evaluation found some gaps in current TCB performance monitoring and evaluation practice, such as the absence of performance targets and baselines in a large proportion of the projects examined, none of the gaps identified were a function of the program's trade focus. These problems are also found in other sectors in which USAID works.

Similarly, weaknesses the evaluation found in the measurement of institutional change in government ministries, while problematic, are not unique to trade projects. With regard to this challenge, the evaluation's findings suggest that greater clarity about the intended outcome-level results of institutional strengthening activities is warranted; achieving such clarity would also facilitate the development of more specific indicators of institutional change.

On the evaluation side, 15 percent of USAID TCB projects were found to have been independently evaluated. Available information on USAID evaluations Agency-wide does not indicate whether this percentage is higher or lower than for other fields in which USAID works. Most of these TCB project evaluations were of short duration; about half were undertaken partway through the project implementation period and the rest were end-of-project evaluations.

E. RECOMMENDATIONS

Based on the findings of this evaluation, which the evaluation team judged to be largely positive, MSI's recommendations for the future center upon incremental changes USAID can make in the guidance and tools it provides to staff and implementing partners who work on TCB projects. Two broad recommendations flow from the conclusions of this evaluation and the findings that support them.

The evaluation includes suggested steps for implementing each of these recommendations.

Recommendations:

- Develop tools that will help missions implement USAID performance management guidelines, including a TCB Results Framework and indicators that support monitoring and evaluation at all results levels.
- Update the USAID TCB Strategy Paper, incorporating a Results Framework, as recommended above, to serve as flexible guide for the design of future field TCB programs and projects.

With respect to the first recommendation, the evaluation suggests steps for creating a consensus within USAID and the U.S. government on the intended results of TCB assistance, expressed through a Results Framework that can be adapted to missions' circumstances, and appropriate performance indicators for all levels of that framework. These steps might include, for example, constituting a working group of USAID staff and implementing partners with experience in trade the design and monitoring of TCB programs and projects to review and advise USAID/EGAT on the elements of a comprehensive, Agency-wide TCB Results Framework and the most valid and feasible performance indicators for each level of that framework.

It is also suggested that greater attention be paid to whether performance management plans (PMPs) developed at the start of USAID programs and projects are consistent with existing USAID guidance with respect to being complete, i.e., including performance targets and baseline data. Movement in this direction might be fostered, for example, by using various communication channels to highlight the importance USAID/EGAT attaches to implementing USAID performance management guidance for TCB programs and projects, and adding a segment on this topic to the technical activities section of USAID TCBoost website. Such communications might also stress the importance of considering, at the program and project design stage, what types of evaluations would best complement performance monitoring. USAID training programs that include a monitoring and evaluation focus, which staff working on trade could be encouraged to attend, and a broad literature from related disciplines can help USAID staff and implementing partners improve TCB monitoring and evaluation.

With respect to the second recommendation, the evaluation offers suggestions for aligning the process for developing a TCB Results Framework with work on an updated TCB Strategy Paper. This might be accomplished by incorporating members of a Results Framework working group into the team tasked with developing an updated strategy paper. The evaluation also suggests systematically integrating recent empirical findings on trade facilitation and other determinants of developing country export performance into an updated strategy paper, USAID trainings, Economic Sector Council meetings, and economic growth officer conferences.

PART ONE

This evaluation report is divided into two distinct parts. Part One introduces the evaluation and answers the six questions on which the evaluation focuses. Conclusions concerning each evaluation question are presented together with the findings that support those conclusions. The evaluation's recommendations for USAID are presented at the end of Part One.

Part Two provides a descriptive overview of USAID TCB accomplishments based on project performance reports and evaluations for 256 projects undertaken in Africa, Asia, Latin America and Eastern Europe. These results are described in the words of the people who implemented or evaluated those projects.

SECTION I. EVALUATION PURPOSE AND SCOPE

A. U.S. GOVERNMENT INVESTMENTS IN TRADE CAPACITY BUILDING

The United States defines trade capacity building assistance, or “aid for trade,” as assistance to help countries negotiate and implement trade agreements and build the physical, human, and institutional capacity to benefit from trade and investment opportunities. Trade capacity building assistance covers a wide range of programs. For example, TCB programs may assist development partners in implementing the provisions of existing trade agreements, participating in new agreements, undertaking trade policy reform, or improving the functioning of government agencies involved in trade—particularly those that affect the time and cost of moving goods across borders. Equally important is the TCB assistance the United States provides to private sector firms, industry associations, farmers, and farmer groups to increase local firms’ understanding of and ability to compete in international markets. Often this is accomplished by improving the processes used to produce, package, market, and transport goods. TCB programs work with firms to increase their ability to attract investment or tourism; they also work with partner firms to meet health, safety, and other product requirements of foreign markets.

TCB assistance to developing countries is not new: the U.S. government and USAID have supported trade policy improvements and fostered export development in the countries they assist for many years. With the launch of World Trade Organization (WTO) negotiations and the Doha Development Agenda in 2001, however, discussions about TCB assistance to developing countries took on an increasingly prominent role within the donor community. Developing countries articulated a need for this type of aid, and donor responsiveness to these needs was reaffirmed when the United States and other WTO members supported an aid for trade initiative at the Hong Kong Ministerial in 2005. At this conference, United States pledged to double its TCB assistance by 2010. Additional global reviews of aid for trade were conducted by the WTO in 2007 and 2009.

Since the start of the Doha Round, the United States has been an important provider of this international development assistance. The United States has consistently been one of the largest TCB donors, as Table 1 shows. On average, from 2002–2007, U.S. TCB obligations, as reported in the 2009 edition of the WTO-OECD *Aid for Trade at a Glance* report, represented 18% of total world commitments for aid-for-trade assistance to developing countries, including both bilateral and multilateral obligations. The U.S. was the second largest single TCB donor for most of this period as Table 1 illustrates and, for in the most recent year for which OECD data were available, the U.S. accounted for 29% of OECD Development Assistance Committee (DAC) member country commitments, as Figure 1 shows.

MINISTERIAL DECLARATION

38. We confirm that technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system... The delivery of WTO technical assistance shall be designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations, and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system. Priority shall also be accorded to small, vulnerable, and transition economies, as well as to members and observers without representation in Geneva.

39. We underscore the urgent necessity for the effective coordinated delivery of technical assistance with bilateral donors, in the OECD Development Assistance Committee and relevant international and regional intergovernmental institutions, within a coherent policy framework and timetable.

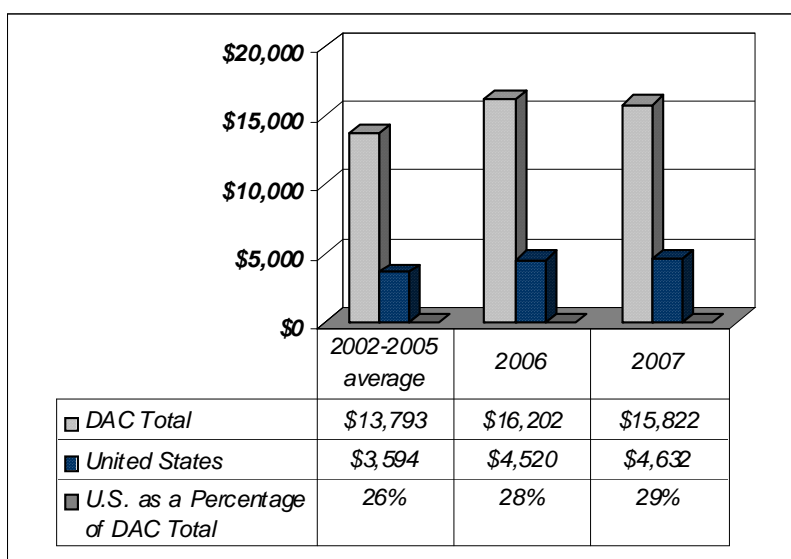
*Doha WTO Trade Ministerial
November 14, 2001*

Table I. AID FOR TRADE – MAJOR SOURCES AND COMMITMENTS RANKED BY 2002-2005 AVERAGE COMMITMENTS (IN MILLIONS U.S., 2006 CONSTANT PRICES)

| Donor | 2002-2005 (average) | 2006 | 2007 |
|----------------------------|------------------------|-----------------|-----------------|
| Japan | 4,471.6 | 4,569.4 | 4,397.5 |
| United States | 3,593.4 | 4,520.0 | 4,632.1 |
| World Bank | 3,166.4 | 2,841.8 | 4,663.4 |
| European Commission | 2,478.8 | 3,219.7 | 2,746.1 |
| Germany | 1,159.5 | 1,877.0 | 1,495.9 |
| France | 680.2 | 828.2 | 1,248.7 |
| Total – All Sources | 21,100.5 | 23,526.5 | 25,422.3 |

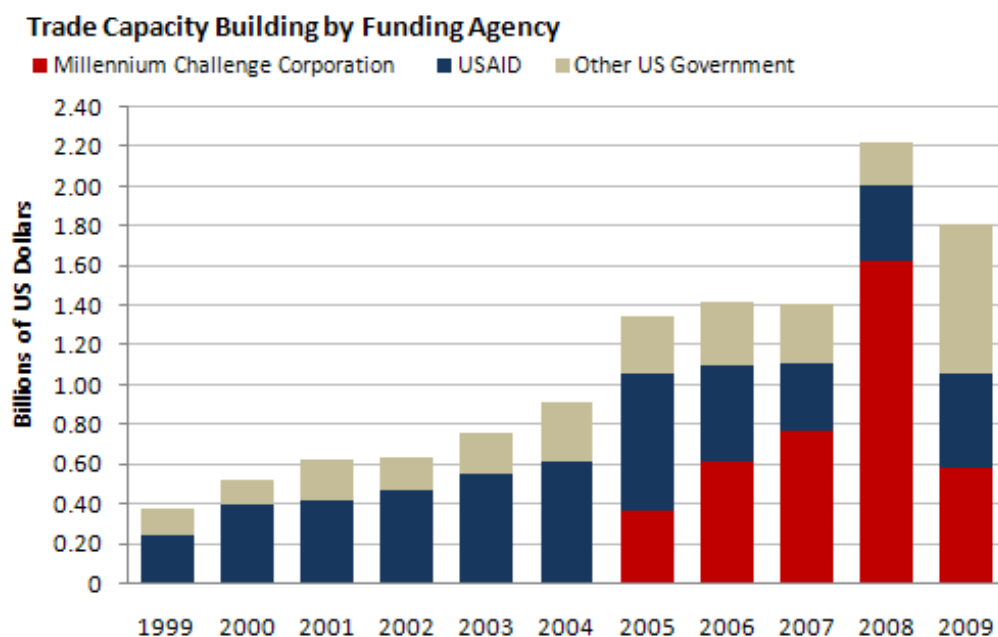
Source: OECD-WTO, *Aid for Trade at a Glance 2009: Maintaining Momentum* (2009)

FIGURE I. U.S. PROPORTIONS OF OECD MEMBER COUNTRIES AID FOR TRADE COMMITMENTS (U.S. MILLIONS)



Between 1999 and 2009, the U.S. government obligated over \$12 billion for TCB assistance to developing countries. The vast majority of these funds, or \$8.7 billion, were obligated between 2002 and 2008, as illustrated in Figure 2. During these years, the largest provider of TCB assistance was USAID, which accounted for 42 percent of U.S. trade capacity building obligations. Its level of investment in TCB programs was recently surpassed by the Millennium Challenge Corporation (MCC), which began funding TCB assistance in 2005. In addition to USAID and MCC, more than 20 other U.S. government departments and agencies contribute to this effort. In collaboration with other donors, the United States has given particular attention when programming its TCB funds to those countries participating in the multilateral Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries, initiated in 1997. Responsibility for oversight of U.S. involvement in the WTO lies with an interagency group dedicated to coordinating trade capacity building, which the Office of the United States Trade Representative (USTR) co-chairs with USAID.

FIGURE 2. U.S. GOVERNMENT TCB OBLIGATIONS BY AGENCY (1999-2009)



B. EVALUATION PURPOSE AND SCOPE

This evaluation examines the results and impact of trade capacity building activities funded and implemented since 2002 by USAID and other U.S. government agencies for the purpose of learning from experience to improve the design and implementation of this assistance. The evaluation also aims to inform USAID and the Office of the U.S. Trade Representative, as co-chairs of the TCB working group, in their efforts to develop an interagency strategy to systematically monitor results and evaluate the effectiveness of TCB assistance.

The evaluation also responds to a 2005 General Accountability Office (GAO) report that found that U.S. government agencies were “not systematically measuring the results of their trade capacity building assistance or evaluating its effectiveness.”³

The evaluation addresses six questions about the impact of the U.S. trade capacity building programs that examine the extent to which USAID trade capacity building projects have achieved their objectives, the factors that contribute to or impede project success, and the means by which performance monitoring and evaluation can be improved. A list of the evaluation questions is provided in the text box on the following page and a copy of the USAID Statement of Work (SOW) for the evaluation is provided in Annex A.

The evaluation was carried out in three phases:

- In Phase I, MSI examined information from the U.S. TCB database on government-wide funding for TCB and produced a profile of U.S. TCB investments by region, agency, and type of TCB activity. This profile was disseminated as a separate document part way through the evaluation study period.⁴ During

³ GAO-15-150, *U.S. Trade Capacity Building Extensive, but Its Effectiveness Has Yet to Be Evaluated* (2005)

⁴ This Working Paper is available at: http://pdf.usaid.gov/pdf_docs/PNADS401.pdf

Phase I, the evaluation team also identified results clusters that would be used to categorize and analyze USAID TCB projects in Phase II, as discussed in the following section and in Annex B.

EVALUATION QUESTIONS

1. To what extent have USAID programs of this type contributed in a measurable way to improved trade capacity in the target countries?
2. What impact have USAID TCB projects had on the firms, individuals, associations, sectors, economies and government agencies targeted by the interventions?
3. Which activities have been more successful in achieving their objectives, and what were the primary factors for their relative success?
4. What combinations of activities or interventions were more successful and sustainable than others, and what were the primary synergies that contributed to that success?
5. To what extent have the interventions funded by USAID since 2002 succeeded in accomplishing the program's objectives?
6. How can USAID integrate monitoring and evaluation into the design and implementation of TCB programs more systematically?

- In Phase II, the evaluation narrowed its focus to USAID projects that were *directly trade related*, i.e., focused on trade-related results rather than on improvements that would benefit a developing country economy as a whole. Documents were collected for as many of these projects as possible, i.e., documents were located for 256 USAID TCB projects implemented by U.S. firms and PVOs in 78 countries that, taken together, represent 70 percent of total USAID TCB obligations between 2002 and 2006 for projects with a distinct trade focus. A preliminary report on evaluation findings was produced at the end of Phase II and disseminated to USAID staff and implementing partners for comment.
- In Phase III, MSI carried out stakeholder consultations with USAID staff and its implementing partners to “ground truth” and further explore findings from Phase II. Phase III also included the development and “pilot testing” of a set of TCB monitoring and evaluation training modules.

SECTION II: EVALUATION APPROACH, METHODOLOGY, AND DATA

This section describes how the evaluation was conducted. It first describes the overall approach or structure for the evaluation, which was important in informing the selection of the specific methods used for each aspect of the evaluation. It then presents the Results Framework that was used to define the clusters of USAID projects the evaluation team examined. Data collection and analysis methods; study data, and data limitations are also described in this section.

A. EVALUATION APPROACH

Two elements of the evaluation approach were defined in USAID's RFP and accepted as given from the beginning. The first was the RFP's expectation that quantitative approaches to answering evaluation questions would be used. The evaluation team understood this to mean that USAID expected that a large sample of its projects would be examined and analyzed using appropriate statistical techniques. The second preference identified in the RFP was for the use of a cluster approach to narrow the evaluation's scope, recognizing that it would not be possible to examine the entire USAID TCB project portfolio with the time and budget allocated for the evaluation.

USAID's RFP suggested that one way to define clusters of USAID projects on which to focus the evaluation would be to choose up to five categories from among the 38 categories used by the U.S. TCB database to code activities reported by U.S. government agencies, e.g., export promotion, customs administration. It also noted that other options for establishing clusters existed, including identifying clusters based on the types of results USAID TCB projects are designed to produce.

To further guide the formation of clusters of USAID projects on which the evaluation would focus, as well as the range of projects within clusters, USAID established several criteria. The RFP stated that projects within clusters should be:

- *Broadly distributed geographically, to the extent practicable and in keeping with the other criteria;*
- *Similar in as many respects as possible, while allowing for variations that will help elucidate the research questions;*
- *Inclusive of both successful and unsuccessful implementations;*
- *Characterized by a range of sizes and scopes;*
- *Regional in scope, as sub-clusters may be identified in order to compare similar projects in similar countries, but with different policy environments;*
- *Determined by the research questions, as well as by the overall budget for each cluster evaluation.*

USAID's RFP also stated that, when selecting projects to review, the evaluation should focus on those that had been *completed within the last two years*. Based on this instruction, MSI and USAID agreed to define the study period to include projects funded by obligations reported to the TCB database between 2002 (the first year for which the database includes narrative descriptions of activities) and 2006, the last year for which the TCB database had information at the time this evaluation began. The choice of 2006 as a cut-off point was intended to ensure that most of the projects the evaluation team examined would be completed projects. In practice, however, it turned out that 37 (14%) of the 256 projects the evaluation team examined were still active in 2009-2010, the final year of the evaluation.

Toward the end of the evaluation period, USAID became interested in extending the study's coverage. To this end, MSI examined those USAID TCB obligations for 2007-2009 for which data were available in the TCB database and compared the focus of USAID TCB funding in these years to the focus of funding between 2002 and 2006.

The evaluation RFP further envisioned that the evaluation would be conducted using mixed methods for data collection including (but not limited to) a literature review, the examination of project documents and other secondary source materials, an e-survey with USAID staff overseas, and interviews with USAID staff, implementing partners and other stakeholders on an individual or group basis, as appropriate. Data analysis using both quantitative and qualitative analysis was anticipated.

MSI's approach to the evaluation largely conformed to these guidelines. The main difference between the approach actually used and what the RFP envisioned involved structuring clusters of projects by their intended results rather than on an activity category basis, as explained below.

B. TCB PROJECT CLUSTERS BASED ON RESULTS

Initially, the evaluation team followed the RFP's suggestion that clusters be defined based on the TCB database's obligation categories, starting with *export promotion* and *customs administration*. After several months, however, two developments prompted the evaluation team and USAID to shift to an alternative approach for defining clusters. The first was the MSI team's discovery of significant overlaps among the categories in the TCB database—in practice, choosing the *export promotion* category also meant choosing a large set of projects focused on *business services and training* or on *trade-related agriculture*, or both (i.e., 85% of projects coded *export promotion* had one or several other codes as well).

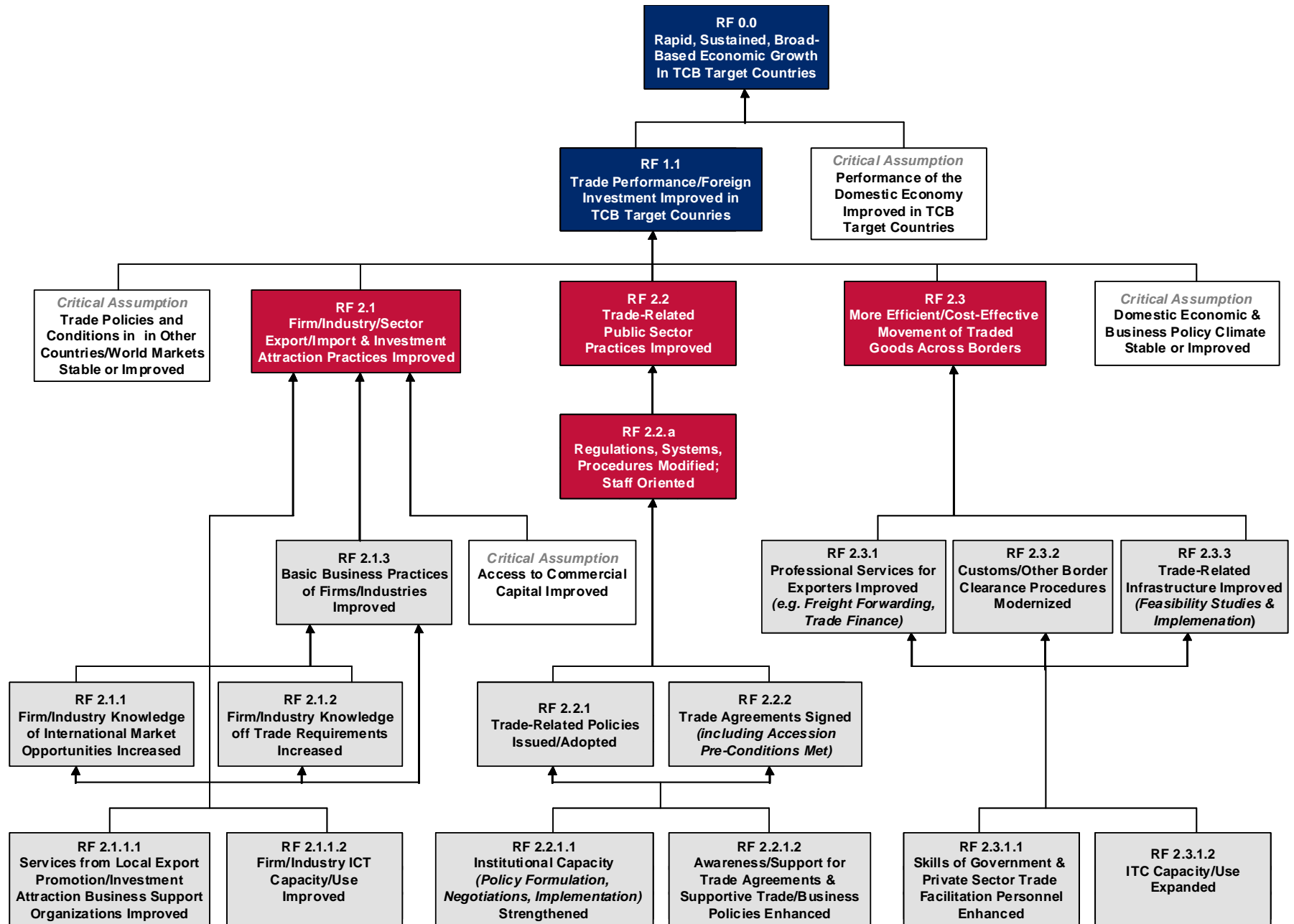
The second development was the emergence of a clear alternative for clustering USAID TCB projects. During Phase I, the evaluation team reviewed activity descriptions found in the TCB database and then organized those activities into groups based on the trade-related results they were trying to achieve. This led to the development of a hierarchy of TCB results, which USAID calls a Results Framework. MSI then compared its initial TCB Results Framework to findings from empirical studies on trade, economic growth and trade capacity building. At the end of Phase I, the USAID Cognizant Technical Officer (COTR) for the evaluation and the MSI team decided that clustering projects around a Results Framework structure would be more useful than the activity-based alternative the RFP had identified. The Results Framework used for clustering TCB projects in this evaluation is described below.

A Results Framework for Trade Capacity Building

The Results Framework developed for this evaluation reaches from activity level results such as training courses provided, to output level results, including new policies drafted and websites constructed, to intermediate outcomes such as trade agreements signed, to higher level outcomes, including changes in the value of export earnings. The Results Framework is shown as a diagram in Figure 3. Each colored box on the diagram identifies an intended result that some, but not necessarily all, of the 256 USAID TCB projects MSI examined discussed in quarterly or annual reports. In addition to results shown in colored boxes, the diagram contains white boxes that represent assumptions which project documents describe as factors that have the potential to facilitate or impede USAID's ability to achieve project results. Arrows that connect results boxes on the diagram are hypothesized causal linkages that USAID calls development hypotheses.

The pinnacle of the Results Framework is USAID's economic growth goal—*Rapid, Sustained, Broad-Based Economic Growth in TCB Target Countries*—which is shown at the top of the Results Framework (coded as RF 0.0 in Figure 3). USAID's TCB Strategy Paper, *Building Trade Capacity in the Developing World* (2003) highlighted the contribution that trade makes to economic growth, as shown in a text box in this section. In TCB projects, performance indicators at the economic growth level of the Results Framework include jobs created and changes in individual or family income levels. The performance of the domestic economy in developing countries is a critical assumption at this level.

FIGURE 3. TRADE CAPACITY BUILDING RESULTS FRAMEWORK3



Trade theory and empirical research both support the hypothesis that trade fosters economic growth. This proposition dates back to the work of David Ricardo who, in *On the Principles of Economy and Taxation* (1817), used the concept of comparative advantage to explain why buying and selling nations both gain from trade.

Contemporary empirical research includes numerous country case studies that show a relationship between openness to trade, export expansion and economic growth. Some of these studies were produced by World Bank staff in the 1970s to demonstrate the positive impacts of policies that promote trade as compared to policies that try to protect domestic industries from competition (Little, Scitovsky, and Scott, Morris, 1970; Krueger, 1978; Bhagwati, 1978; Balassa, 1982). Researchers continue use case studies to explore the relationship between trade and economic growth not only in Asia, where trade has fostered rapid economic growth, but also in countries in Africa, Latin America and Eastern Europe.

A second strain of this research uses regression analysis to demonstrate a relationship between trade and economic growth (Dollar, 1992; Sachs and Warner, 1995) and to highlight other factors that play contributing roles, such as geography and technology. To improve their ability to establish directionality (causality) some researchers use lagged data on outcome variables in their regression analyses (Feder, 1982; Frankel and Romer, 1999, Wacziarg and Welch (2003). While other economists have cautioned that regression analyses is not the best approach for establishing causality (Rodriguez and Rodrik, 2001; Srinivasan and Bhagwati, 2001), work on this strain of empirical studies has continued (Lewer and Van den Berg, 2003; Dollar and Kraay, 2004; Rodriguez, 2006; Yang, 2008), with researchers focusing on improved methods as well as additional factors that appear to contribute to trade and economic growth, such as productivity and the quality of institutions. Some of the recent studies cited above acknowledge that patterns observed across large numbers of countries in regression studies are not necessarily valid for every country.

The highest trade-specific result shown on the Results Framework is *Trade Performance/Foreign Investment Improved in TCB Target Countries* (coded as RF 1.1). Improvements in trade performance, particularly export performance, are both an important result of “trade capacity building” or “aid for trade” assistance and a critical stepping stone to achieving economic growth and poverty reduction objectives that are important not only to the U.S. but also to other TCB donors.⁵ At the RF 1.1 level in the Results Framework improvements in investment performance, particularly foreign direct investment (FDI), are also included as an intended result, consistent with USAID’s strategy, as described in the text box above. Performance indicators used at this level in USAID TCB projects include changes in exports and imports (value and volume) as well as changes in FDI levels.

Below this level, the Results Framework identifies three clusters of intermediate results, or pathways that are hypothesized to yield improvements in trade and investment performance.

The first of these clusters focuses on the results of improvements in private sector trade-related practices (coded as RF 2.1). This results cluster includes assistance aimed at enhancing the capacity of firms and farmer groups to successfully engage in trade. In this evaluation, observable results such as export contracts being signed, new export products being shipped, or new markets being accessed are used to monitor whether firm

Trade Stimulates Economic Growth

Trade and investment are the principal mechanisms through which global market forces—competition, human resource development, technology transfer, and technological innovation—generate growth in developing and developed countries. During the 1990s, developing countries that successfully integrated into the global economy enjoyed per capita income increases averaging 5 percent annually. However, countries that limited their participation in the global economy saw their economies decline.

Building Trade Capacity in the Developing World, USAID Strategy Paper, March 2003

⁵ Hallaert, Jean-Jacques and Laura Munro, *Binding Constraints to Trade Expansion : Aid for Trade Objectives and Diagnostic Tools*. OECD Trade Policy Working Paper No. 94. Paris: OECD, 2009

and farmer group practices have improved. Projects focused on private sector practices include sector-specific assistance, such as support for the improvement of irrigation methods. USAID also assists developing country entrepreneurs in developing basic business skills that help them increase productivity, control quality, identify potential markets, contact potential buyers, and modify products in response to market signals.

Economic theorists, particularly Schumpeter, view entrepreneurs as both innovative and responsive to market signals. USAID's provision of trade-specific assistance as well as assistance in improving basic business practices to developing country entrepreneurs is based on the proposition that, with the right knowledge, skills, and other resources, these entrepreneurs will become exactly the kind of innovative and responsive traders imagined by Schumpeter in his book *The Theory of Economic Development* (1934). A large number of empirical studies relating to RF 2.1 (private sector practices) focus on the characteristics of individuals and firms that succeed as exporters. Studies in this area examine the role of firm size and efficiency as well as the leadership skills of the entrepreneurs involved.

Empirical studies that examine the role of the private sector in improving trade performance, on an aggregate basis, generally focus on how firms, and countries, including developing countries, increase their exports rather than how they increase their imports. They also describe the important role that manufacturing played in achieving export gains, in Asia initially, but also in other parts of the world. A 2004 UNCTAD report notes, for example, that for those countries with the fastest growing economies, *the share of manufactured goods in their exports has soared from 12% in 1960 to 65% in the early 2000s*. Cross-country studies have also explored the link between an increased level of manufacturing and policy shifts that increase a country's openness to trade (Dodzin and Vamvakidis, 2003). Some researchers caution, however, that the experience of Asian countries—and particularly the first group to succeed through industrialization—may not be appropriate models today in light of changes in technologies, consumer demand, and the rules governing international trade (Weiss 2005). Pursuing a somewhat different approach to determining how private sector practices affect trade performance, some researchers have analyzed patterns of trade between countries, finding that the bulk of exporting is highly concentrated between a given country and a few other countries, with a large number of possible country pairs left unexploited as “zeros” on a matrix of all possible export pairs (Baldwin, 2007). This approach has also revealed that establishing new trading partners and selling existing products to a broader range of countries are both more important for trade expansion than is the development of new export products (Amurgo-Pacheco and Pierola, 2008).

A second results cluster shown in the Results Framework diagram focuses on the results of improved public sector trade-related practices (coded as RF 2.2). This cluster includes assistance that supports lower tariff rates and commitments by countries to reduce or eliminate non-tariff barriers. It is on this segment of the Results Framework that the literature on the impact of trade liberalization converges, and empirical studies have documented the impact on trade performance from more open and liberal markets. Contributing to these results are changes in laws, regulations, and procedures that follow up on trade agreement and policy reform commitments. These results are highlighted separately in RF 2.2.a, which is closely related to RF 2.2, but involve types of results that may be less visible to private sector businesses than are changes in tariffs at the RF 2.2 level of the Results Framework. Trade policy reforms, accession to the WTO, and other policy changes appear a step lower in the result hierarchy, as RF 2.2.1 and RF 2.2.2 respectively, in the middle of the RF 2.2 diagram, reflecting the fact that, while it takes some effort to accomplish these results, policy change is but a mid-point in a reform process and not its final step.

Empirical studies that focus on public sector practices have demonstrated that a positive association exists between tariff reductions and trade performance, both on an individual country basis (Feenstra and Kee, 2007) and a cross-country basis (Baier and Bergstrand, 2001; Hockman and Nicita, 2008). This research is closely related to studies mentioned above that examined the effects of openness to trade on trade performance and growth (Warcziarg and Welch, 2008). Studies that focus on country participation in trade

agreements, which often address non-tariff as well as tariff barriers to trade, are largely consistent with these conclusions (Tomz, Goldstein, and Rivers, 2007; Subramanian and Wei, 2007).

The third results cluster shown in the Results Framework focuses on a hybrid result to which the private and public sectors both contribute, namely the *more efficient and cost-effective movement of traded goods across borders* (coded as RF 2.3), which is measured in terms of both time and cost. While others might construct a logic model for TCB without including this segment separately, the evaluation team's decision to highlight this hybrid result came in direct response to the emergence of a new segment of the trade capacity development literature—widely associated with the World Bank Policy Research Working Paper, *Trading on Time* (Djankov, Freund, and Pham 2008)—which demonstrates that improvements in trade facilitation that reduce shipment time and cost have a direct impact on trade performance. Related studies (Hoekman and Nicita, 2008; Hertel and Keeney, 2006) support this conclusion. Other studies have shown that reductions in time at the border (Wilson, 2007); shipping time (Hummels, 2001); and improvements in ports (Wilson, Mann, and Otskuki, 2004) have a measurable impact on trade performance. Studies that focus on the cost of moving goods reach similar conclusions about the impact of lower processing costs on trade performance (Hausman, Lee, and Subramanian, 2005).

Flanking these three clusters in the Results Framework summary diagram are two critical assumptions: one, about external factors that influence trade performance, is shown on the left side of the diagram, and the other, about macroeconomic and business policies, is shown on the right. Trade projects treat both assumptions as being beyond their direct control, even though USAID also funds projects that foster improvements in macroeconomic and business policies in some countries.

Using the TCB Results Framework to Examine Causality

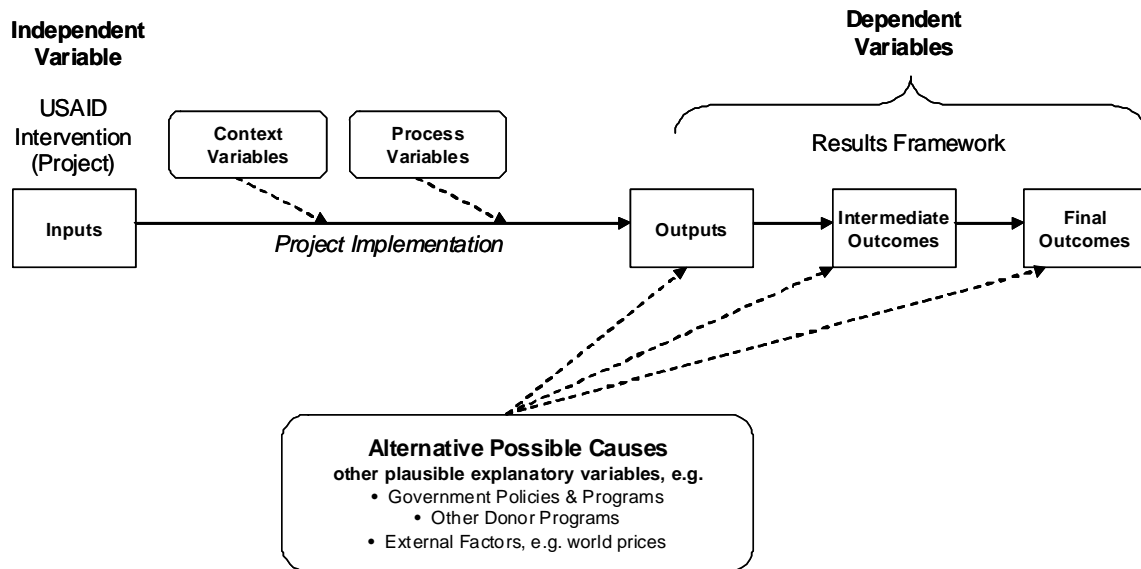
Questions about causality and the counterfactual (i.e., what would have happened in the absence of a program/project) can be difficult to answer, particularly in a retrospective evaluation such as this. U.S. government evaluations and development assistance evaluations produced by most donors have faced criticism for failing to produce strong evidence on causality in their findings.⁶ There are, however, ways to strengthen evidence of causality in evaluations, even in retrospective evaluations.

A well-articulated program theory along the lines of that presented in the Results Framework below is an important foundation for reasonably rigorous efforts to retrospectively determine whether (and to what extent) TCB program/project interventions caused changes. For this evaluation, the TCB Results Framework was particularly useful, serving as an efficient mechanism for organizing information about TCB program/project results and defining the independent and dependent variables to be examined according to the specific methodologies outlined in the next section.

The Results Framework shown in Figure 3 served as an overarching conceptual structure for the evaluation. It helped to define the outcomes of interest as well as USAID's interventions and the hypotheses that link interventions to results, as suggested in Figure 4.

⁶ Center for Global Development, *When Will We Ever Learn: Improving Lives through Impact Evaluation*. Washington, D.C., 2006 available at <http://www.cgdev.org/content/publications/detail/7973>

FIGURE 4. ROLE OF THE TCB RESULTS FRAMEWORK IN STRUCTURING EVALUATION ANALYSES FOCUSED ON CAUSAL RELATIONSHIPS



C. DATA COLLECTION AND ANALYSIS METHODS

The evaluation methods used in this study were developed on a question-by-question basis using a “getting to answers matrix” to identify the types of data needed to answer each question and thus the appropriate data collection and analysis methods to be used. This process is described in further detail in Annex B.

In summary, the methods used to conduct this evaluation included:

- **Document Research, Review, and Analysis.** This method was used to gather information on the programs and projects supported by U.S. funding for TCB assistance through obligations between 2002 and 2006 that were reported to the TCB database. During Phase I of the evaluation, data from this database and from the websites of U.S. government agencies were analyzed, and activities listed in the TCB database were compiled into multiyear projects where appropriate. In Phase II, the evaluation team gathered and analyzed project documents for 256 USAID TCB projects. Quantitative data and narrative statements were extracted from project reports and analyzed. After project documents were examined, each project was scored on 30 factors (shown in Table 18 of this report) that characterized their design features, implementation experience, context variables, and performance. These scores were then analyzed with a chi-square test in SPSS to calculate statistical significance; the findings yielded by this approach are discussed in Part One, Section III, Question 3, below.
- **Scoring Project Success.** A USAID performance scoring system was adapted and used in the evaluation to score project success. Using this method, the evaluation scored 231 of the 256 projects it examined, i.e. all those for which it had sufficient information to do so. The method is described in greater detail in Part One, Section IV and Annex B.
- **Regression Analysis.** This method was used to determine the impact of U.S. government, and more specifically, USAID funding on trade performance at the national level within the developing countries that receive TCB resources. The regression results are included as Annex C, which describes in detail the models used. Findings from the regression analysis are discussed in Part One, Section III, Question 1, in this report. The regression analysis approach used for this evaluation, which examined the impact of

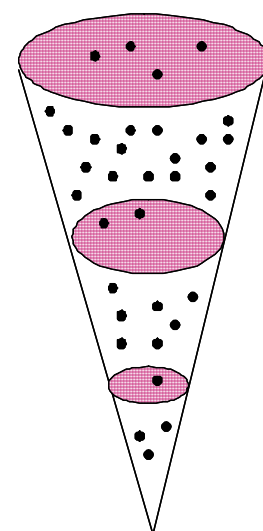
USAID obligations on the results those obligations were expected to produce, drew upon a model piloted in a study carried out for USAID’s Office of Democracy and Governance in 2006 through a collaborative effort between the University of Pittsburgh and Vanderbilt University.⁷

- **High and Low Performers Analysis.** This analysis, which is discussed in Part One, Section III, Question 1, involved examining data on policies and other trade-related factors in countries that realized strong and weak export gains between 2002 and 2008 while receiving varying levels of USAID TCB assistance, or none at all. The analysis was used to identify factors in countries’ enabling environments that, in addition to their level of TCB assistance, distinguished strong and weak export performers during that period. This approach built on a retrospective methodology MSI used to identify factors that influenced outcomes in an evaluation that examined USAID rule of law programs carried out over a decade in multiple countries in Eastern Europe and Eurasia (E&E).
- **Group Interviews with USAID and Implementing Partner Stakeholders.** During Phase III of the evaluation, MSI carried out stakeholder interviews with USAID and implementing partner representatives to “ground truth” the preliminary responses to evaluation questions reached through the use of the methods described above. MSI held four in-person consultations, or group interviews, on its preliminary findings. Three of these sessions were for USAID implementing partners and were attended by representatives of 18 different firms and PVOs. A fourth session was held with USAID/Washington staff. A synopsis of these Washington events is included as Annex B, Exhibit 1.
- **Stakeholder Survey for USAID Staff Overseas.** An e-survey (included as Annex B, Exhibit 2) was sent to USAID economic growth staff in fifty USAID missions that had reported obligations to the TCB database for the years 2002-2006. This e-survey, which included questions about the evaluations Phase II findings and about issues raised in stakeholder group interviews conducted in Washington, offered USAID staff overseas an opportunity to review and comment on the Phase II version of the evaluation report. The response rate on this survey was 22%, which is generally considered to be about average for on-line survey research responses.

D. STUDY DATA

Phase II data came from three sources: (1) international time-series data (from the IMF, UNCTAD, World Bank, WTO/OECD, and the TCB database); (2) relevant non-USAID documents located through references provided by individuals in USAID or partner organizations or through Internet searches and (3) USAID-funded documents, including strategic planning materials, project performance reports prepared by USAID partner organizations, and project evaluations.

MSI arrived at the set of 256 trade-related USAID TCB projects that are the focus of this report through a stepwise process, as illustrated in the funnel diagram to the right (and described in detail in Annex B). The team began with a list of 4,281 funding entries in the TCB databases for the years 2002–2006 for which short activity descriptions were also available. While funding entries and activity descriptions are provided to the TCB database annually by all U.S. government agencies, many of these entries describe funding that is being provided to multiyear projects. Analytically, projects, rather than annual funding entries, are the natural “unit of analysis” for an evaluation of TCB assistance, regardless of whether those projects last one, three, or five years. In order to select projects on which to focus this evaluation, funding entries for a single project over several years had to be linked together. To this end, MSI reviewed activity titles and descriptions in the TCB database across years. Through this process, it reduced the initial 4,281 funding entries in the database to a set of 2,874 projects funded by all



⁷ Finkel, Steven E., Anibal Perez-Linan and Mitchell A. Seligson. “The Effects of U.S. Foreign Assistance on Democracy Building.” *World Politics*, Volume 59, No. 3, 2007.

U.S. government agencies, of which 1,429 were funded by USAID.⁸ This set of USAID projects was further narrowed by a process that sorted them into two groups: a group of 876 projects that were categorized as being *directly trade related*, i.e., included trade-specific results, and another group that focused on economy-wide improvements, e.g., banking system improvements, commercial law, etc. MSI then sought documents on all those projects coded as being *directly trade related*. This involved online searches of USAID’s Development Experience Clearinghouse (DEC) and other websites, as well as e-mails and phone calls to USAID missions and USAID implementing partners.

The 256 directly trade-related projects for which the MSI team was able to locate documents received a total of \$1,460,804,666 in U.S. TCB funding. This accounts for 70% of the total amount invested by USAID in directly trade-related projects (\$2,085,921,953) between 2002 and 2006. Of USAID’s total obligations for TCB between 2002 and 2006 (\$2,830,477,900), 52% is accounted for by the set of 256 projects the evaluation examined.

The 256 projects for which MSI found documentation were carried out in 78 countries to which USAID has provided TCB assistance. While projects in this set were selected because they received USAID TCB funding between 2002 and 2006, the period of time over which these projects were implemented was longer: some of the projects in this set were initiated prior to 2002, others received their first obligation in 2006, and some of the projects that started as late as 2006 were still ongoing at the start of 2010 as Table 2 below shows.

Table 2. FINAL YEAR FOR PROJECTS INCLUDED IN THE EVALUATION, WHERE THE FINAL YEAR IS KNOWN
(n = 230)

| 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------|------|------|------|------|------|------|------|------|
| 7 | 16 | 24 | 40 | 45 | 32 | 29 | 33 | 4 |

The 256 projects the evaluation examined were fairly evenly distributed across USAID’s four geographic bureaus, and a few of those examined provided assistance on a global basis. The level of TCB obligations by bureau was not as equally distributed as were the number of projects, as Table 3 shows. The distribution of TCB obligations shown for this set of projects includes high levels of funding for some of the countries USAID assists, and parallels the regional distribution of TCB obligations government-wide.⁹

Table 3. DISTRIBUTION OF USAID TCB PROJECTS EXAMINED BY THE EVALUATION, BY USAID BUREAU

| USAID Bureau | Number of Projects | TCB Obligations for Projects (2002-2006) |
|---------------------------------|--------------------|--|
| Asia/Near East (ANE) | 63 | \$633,344,254 |
| Latin America & Caribbean (LAC) | 71 | \$375,010,374 |
| Africa (AFR) | 57 | \$221,480,144 |
| Europe & Eurasia (E&E) | 57 | \$216,090,894 |
| Global | 8 | \$14,879,000 |
| Total | 256 | \$1,460,804,666 |

⁸ The evaluation’s profile of U.S. TCB obligations and activities on a government-wide basis as well as by region, agency and TCB database obligation category is available at http://pdf.usaid.gov/pdf_docs/PNADS401.pdf.

⁹ In the ANE region funding for two countries, Egypt and Afghanistan, represent rough half of the total. The same is true for the LAC region, where obligations for Columbia represent roughly that same proportion of total funds.

E. DATA LIMITATIONS

Any large study such as this presents opportunities for error. While this evaluation faced a number of challenges in this regard, none appear to have been significant enough to introduce major distortions. Key areas of possible error nonetheless exist and include:

- **Errors in connecting annual funding entries to identify multiyear projects.** The funding entries in the TCB database that MSI reviewed evidenced shifts in activity titles and descriptions from year to year that sometimes made it difficult to be certain that descriptions that appeared similar over several years were for a single project. To guard against error, MSI frequently searched for information about activities described in the TCB database to confirm that what looked like multiyear projects were described as such elsewhere.
- **Difficulties in locating project documents.** The process of locating documents for USAID TCB projects was long and complicated. The 256 TCB projects for which MSI located documentation represents 30 percent of the projects for which it tried to locate documents. In the course of this effort, MSI discovered that DEC searches do not easily turn up documents that USAID and its partners believe have been submitted. Documents could not necessarily be located using searches based on a project name, contractor/grantee name, or country name. Documents for some projects were eventually found by searching using the contractor/grantee's award number—something that is not necessarily known to the public, or to USAID staff in missions other than that in which the project was implemented. The evaluation team was most successful in locating documents for projects implemented by U.S. firms and PVOs. It was less successful locating documents on projects implemented by firms and other types of organizations overseas or by other U.S. government agencies, for which very few documents were found in the DEC. In addition to searching the DEC, MSI worked closely with USDA to locate documentation on TCB projects it had implemented for USAID, but that effort too turned up information on only a small proportion of the projects for which documents were sought.
- **Accuracy in USAID project reports.** For basic information on project results, the evaluation relied heavily on project documents, many of which were prepared by U.S. firms and PVOs that implemented those projects. Project documentation also included evaluations carried out at USAID's behest by individuals who were not involved with the projects they evaluated. The percentage of projects for which evaluations of this sort were found, however, was relatively low (15 percent). With respect to project documents, the evaluation depended most heavily on project reports on performance against specific results using performance indicators that contractor/grantees would have agreed upon with USAID. Figures extracted from these documents were often found in both quarterly and final reports, which USAID staff would have reviewed, and some of which, pursuant to USAID requirements, would have been the focus of data quality assessments every three years. In addition to searching for third party information on USAID projects, as described below, in its e-survey sent to USAID mission staff MSI asked how they viewed the credibility of the data MSI had extracted from project documents; all respondents to that question stated that the particular types of performance monitoring information that MSI had used for their mission's projects was very credible. Nevertheless, MSI did not validate these data in the field, and it is possible that some of the information on project achievements included in this report are less than fully accurate.
- **Adequacy of Third-Party Documentation.** To guard against over-reliance on USAID project documents, MSI routinely searched online for third-party descriptions of project results and sometimes found such descriptions in local press reports, academic publications, and publications of other donor organizations. Where materials of this type were found, they were compared to information provided in USAID and implementing partner reports. The availability of materials of this sort was very uneven. As a result, gaps exist in the extent to which MSI was able to cross-check information from project documents with other sources, except in a general way during the evaluation's Phase III stakeholder consultations.

- **Scoring Project Success.** MSI adapted a three-point USAID scale for scoring success that is normally used to rate progress on one performance indicator at a time. For this evaluation, MSI averaged scores across indicators at various levels of results addressed by TCB projects. Averaging may have overrepresented scores on some lower level results, e.g., outputs, or underrepresented scores on higher level results, e.g., outcomes. Additionally, while USAID’s three-point scale is normally used only where targets have been established on performance indicators, the evaluation also applied it where project documents expressed an intent to achieve a particular result and reported on accomplishments but had not established a target. Roughly half the projects MSI scored had performance targets, while half did not. MSI compared the average ratings given to projects that did and did not have targets and found those averages to be very similar. Nevertheless, scores given to project that did not have specific targets may not have been quite as accurate a reading on performance as scores given to projects that did have targets.

SECTION III: ANSWERS TO EVALUATION QUESTIONS

This section of the evaluation report provides MSI's answers six questions USAID asked about its TCB program. In this section conclusions are presented on each question, followed by the findings that support them.

QUESTION I: TO WHAT EXTENT HAVE USAID TCB PROGRAMS CONTRIBUTED IN A MEASURABLE WAY TO IMPROVED TRADE CAPACITY IN TARGET COUNTRIES?

To answer this question, the evaluation focused on trade transactions and related results that demonstrate improved trade capacity. The most ambitious trade-specific result in this regard is shown in RF 1.1 in the Results Framework, *improved trade and investment performance in TCB target countries*, for which exports, imports and foreign direct investment served as performance indicators at the project and national levels. This focus on TCB results is consistent with USAID's TCB strategy and project aims, and discussions with USAID at the start of this evaluation.

In this section and others that respond to USAID's evaluation questions, the evaluation team first presents the conclusions reached based on the findings the section presents.

Conclusions:

- USAID TCB projects have a positive effect on developing country exports, even in very poor countries and those dealing with conflict within their borders. At the national level, the statistical association found by the evaluation between export gains and TCB assistance varies depending on the status of a number of critical external and domestic factors that are known to significantly influence developing country export performance.
- Export gains associated with USAID TCB projects stem from modest investments directed at trade facilitation and improvements in government practices, as well as from larger investments in projects that work directly with exporters. There are synergies among these three pathways to improved trade performance.

The remainder of this section presents evaluation findings that support these conclusions.

I. THE IMPACT OF USAID TCB ASSISTANCE ON TARGET COUNTRY TRADE PERFORMANCE

This section examines the contribution of USAID TCB assistance at the national level in developing countries in relation to broader trends in developing country trade performance.

Trade Performance Trends in Developing Countries

On the question of whether trade performance in the developing countries improved after 2001, the answer is in the affirmative for both exports and imports, which followed very similar paths.¹⁰ Figure 5 shows developed and developing country exports, excluding China, from 1970 to 2009. At the start of the Doha

¹⁰ In contrast, foreign direct investment (FDI), an important measure on the investment performance side of the evaluations TCB Results Framework (RF 1.1) in which USAID is also interested, declined for several years after 2001, recovering in 2005 and then declined again in 2009.

Round in 2001, twenty years of data existed showing that, while developing country exports had risen, developed country exports had risen at a quicker pace. Over that pre-Doha period, exports from some countries in Southeast Asia and Latin America had begun to rise, but this had not occurred in all developing countries, and the gap between developed and developing countries had gradually increased. Pre-Doha expectations were mixed regarding developing country export growth. The dotted line in Figure 5 projects roughly estimates what the future might have looked like if nothing was done to improve the trend line for developing countries.

As Figure 5 shows, after 2001, the relatively slow rising of developing country over a relatively long period shifted dramatically, paralleling a rise in developed country exports and changing the historical slope of the developing country export growth curve. Figure 6 disaggregates developing countries into a number of regions in which USAID works. This figure shows that, while exports rose in all developing regions, as well as in Newly Independent States in Eastern Europe and Eurasia, there were differences among them. In Southeast Asia and Latin America, as Figure 6 shows, export growth was already evident in the decade prior to the start of the Doha Round. The onset of a post-2001 export surge in Africa, South Asia, and the Near East was more dramatic. By 2006, the WTO was reporting export growth of 20 percent to 35 percent for some of regions shown. Within each of the regions shown in Figure 6, countries varied in terms of how closely their export growth tracked their regional trend for 2002 through 2008. Some countries did better than these trends, while for others export growth continued on a slower, more linear path.

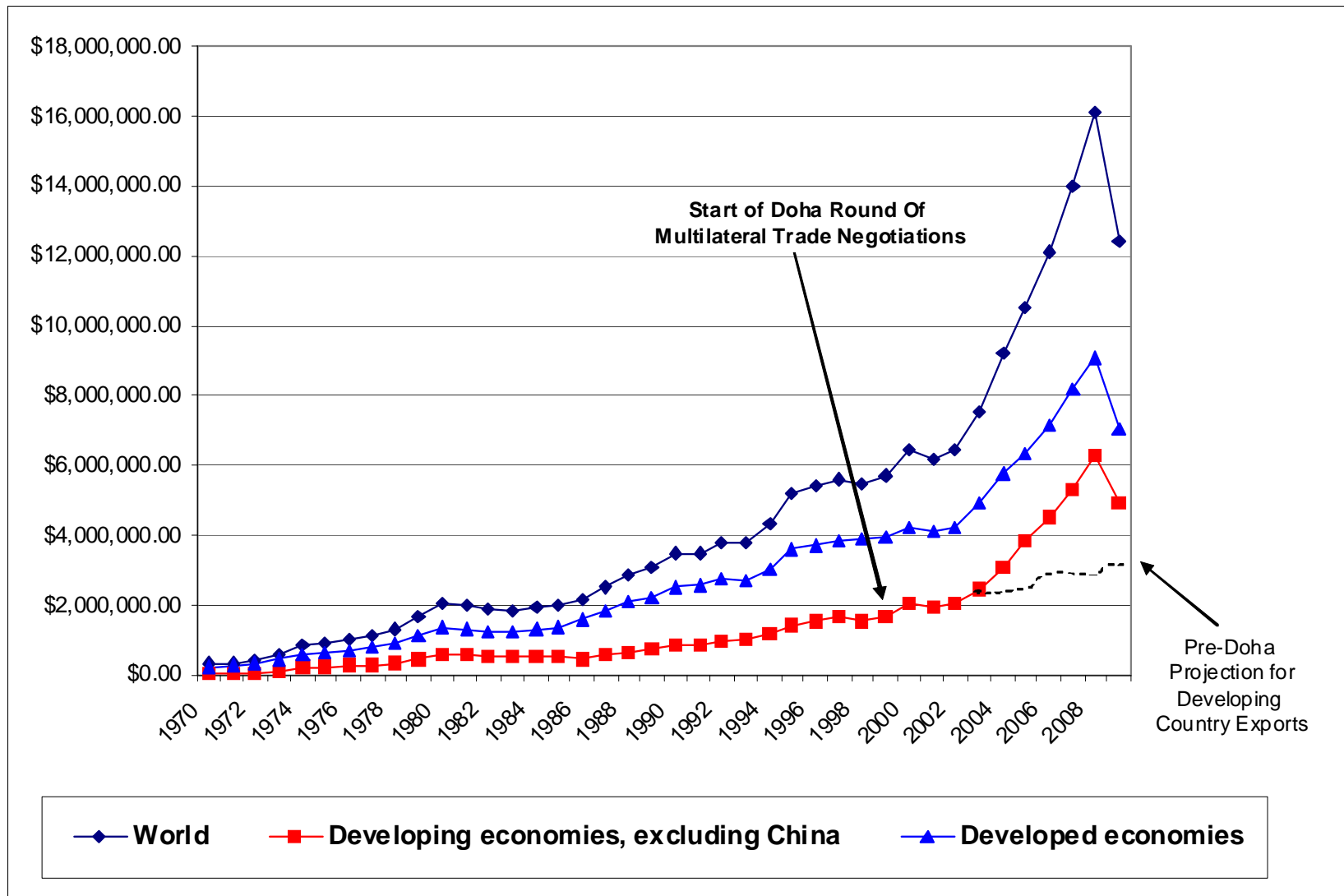
USAID TCB Impact at the Country Level in Developing Countries

Turning to USAID's central question—did USAID TCB assistance, and U.S. government TCB assistance more broadly, make a measurable contribution to developing country trade and investment performance between 2002 and 2008—the answer is yes, for exports, but for imports and for foreign direct investment, national level results could not be discerned. Further, evaluation findings indicate that U.S. TCB assistance was not the only factor that contributed to national export gains. Other factors, including demand in other countries; commodity prices, participation in trade agreements, and domestic economic and business policy reforms also played a role.

Evidence that supports this finding comes from multiple sources. At the project level, the evaluation found evidence of exports valued in millions of dollars in performance reports from 97 USAID projects carried out in 60 developing countries, many of which facilitated the export of multiple developing country products. Collectively, these projects described agricultural exports under 18 different two-digit SITC codes and exports of manufactured goods under 12 different two-digit SITC codes. Some, but not all, project reports placed project exports in a national context; for example: *\$21.2 million over the past 2.5 years represented 63% of the overall increase in exports to the United States in the following sectors: wood manufactures; textiles and clothing; leather; and jewelry.* Supplementary data from national statistics and third-party reports yielded examples of other USAID project exports that have had a discernable national-level impact, including trout and artichokes from Peru, flowers and vanilla from Uganda, software from Egypt, certified forest products from Bolivia, and upscale coffee from Rwanda. In addition, the evaluation also found nine USAID TCB projects that contributed to export earning reported on tourism gains. In addition, the evaluation's regression analysis, which found a statistically significant relationship between USAID TCB assistance and developing country export gains, on a lagged basis, corroborates project level findings.

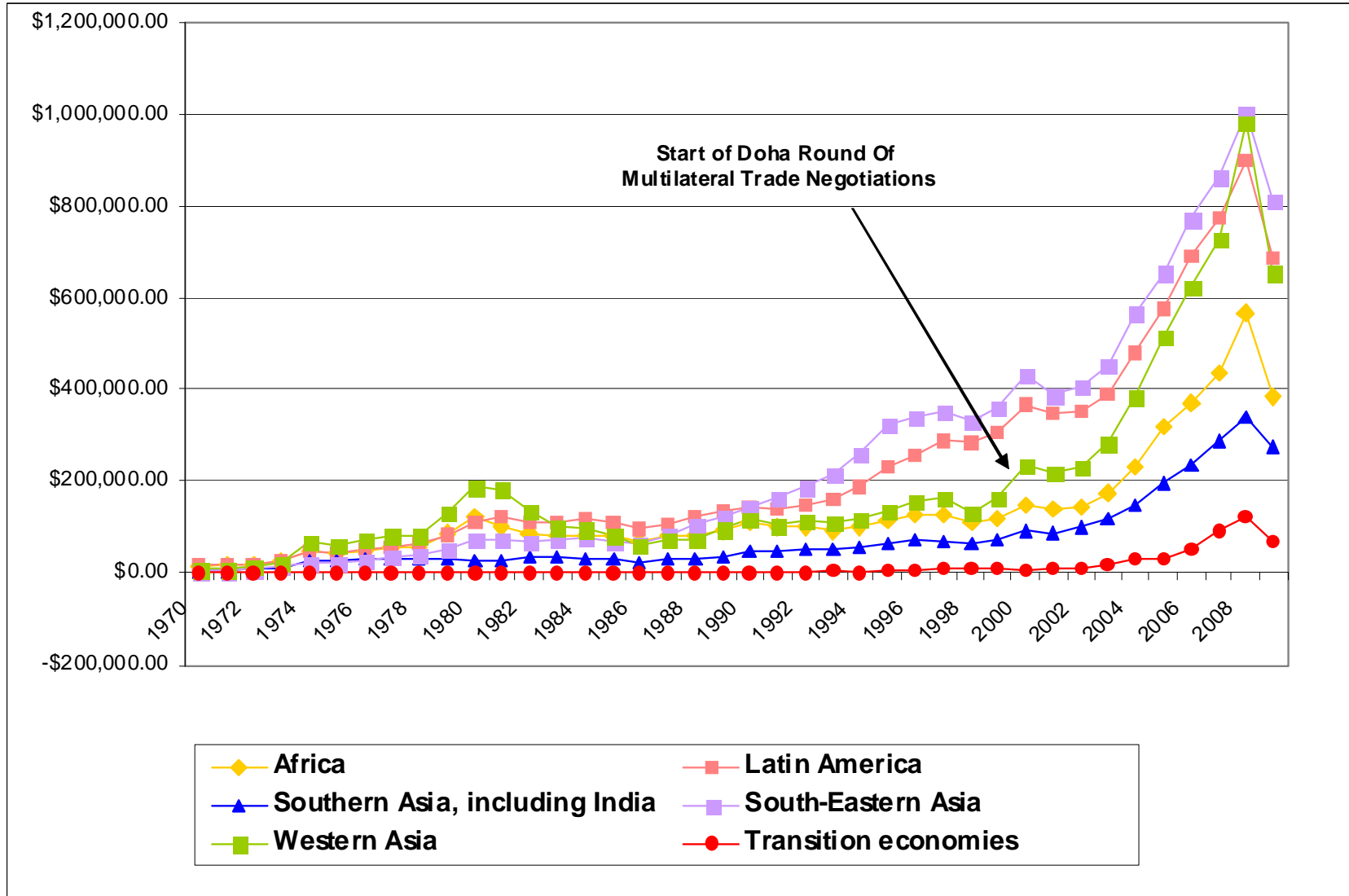
Project-level data on exports of specific products from USAID TCB projects, most of which were agricultural, are presented in Part Two of this report. Compared to the 97 USAID projects for which merchandise export gains are reported there, only three described increased imports as a result. In subsections below, MSI presents the findings of the evaluation's regression analysis as well findings concerning other factors associated with developing country trade performance since the start of the Doha Round.

FIGURE 5. EXPORT TRENDS IN DEVELOPED AND DEVELOPING COUNTRIES (1970-2009), IN MILLIONS, U.S



Source: Developed using UNCTAD time series data for merchandise exports

FIGURE 6. DEVELOPING COUNTRIES EXPORT TRENDS BY REGION (1970-2009), IN MILLIONS, U.S



Source: Developed using UNCTAD time series data for merchandise exports

a. Regression Findings on U.S. TCB Impact on Developing Country Trade Performance

Demonstrating that any particular development assistance intervention caused or contributed in a measurable way to a specific outcome is difficult in the best of circumstances. In retrospective studies, such as this evaluation, what is sought is strong evidence from multiple sources of a plausible, or even better, statistically significant, association between an intervention and the results it was intended to produce. Better still is evidence that supports a development intervention's "if –then" hypothesis by demonstrating that the intervention preceded the emergence of the intended results or, in other ways, helps rule alternative causes of those results.

To determine whether, in aggregate, USAID and other U.S. government TCB assistance was associated with improvements in trade performance in developing countries that received that assistance, the evaluation engaged a team of professors and researchers at the University of Pittsburgh to design and carry out a regression analysis. The regression analysis examined TCB obligations in relation to changes in trade performance at the RF. 1.1 level of the evaluation's Results Framework. It also examined relationships between TCB obligations and intermediate results at the RF 2.1, 2.2 and 2.3 level of the Results Framework that support improvements in trade performance. This subsection focuses on regression findings for trade performance. The following subsection reports on the findings of this analysis for the intermediate results described above. The full report on the regression analysis, which controlled for aid for trade from other sources as well as other control variables normally included in trade analyses, is provided in Annex C.

LEARNING WHAT WORKS

Building on the aid-for-trade achievements requires showing that the initiative ultimately contributes to trade creation and poverty reduction...However, measuring the impact of aid-for-trade is never going to be easy given the difficulty in establishing the counterfactual (i.e. testing the opposite hypothesis). For this reason, macroeconomic analysis of the correlation between aid-for-trade and trade performance presents a useful way of establishing what works, what does not, and where improvements are needed.

Aid-for-Trade at a Glance, 2009
Maintaining Momentum
WTO-OECD

The first part of this analysis focused on the relationship between USAID TCB obligations and several measures of trade performance listed below. The regression was run twice: once for total U.S. Government TCB obligations, including USAID, and another time for only USAID obligations.

- Value of total merchandise exports, lagged two years (through 2008) to more clearly detect directionality or causation where statistically significant associations are found between outcome measures and TCB obligations;
- Subsets of total merchandise exports by destination, i.e., the value of exports to the U.S. versus the rest of the world, lagged;
- Volume of total merchandise exports;
- Country export shares of world markets; and
- Value of merchandise imports.

Regression Findings for Trade Performance

The regression analysis found a positive and statistically significant association between USAID TCB obligations and total merchandise exports from developing countries, in a manner that is temporally consistent with USAID development hypotheses about the impact of TCB assistance.

The same result was found for U.S. TCB assistance on a government-wide basis when obligations from USAID and other government agencies were combined, although neither USAID nor U.S. government TCB assistance in total was associated with developing country imports. The association for exports was strongest when all U.S. government obligations were considered together. This may suggest that a degree of synergy exists between the types of assistance that USAID and other departments and agencies provide.

The regression also showed that, while there was a positive and significant association with exports measured in terms of value, the same did not apply to export volumes. This suggests, among other things, that developing country exporters are earning more for the same volume of production they shipped in the past. Discussions with USAID implementing partners highlighted explicit efforts made in projects to tailor production for upscale and niche markets that yield high returns, such as coffee targeted to Starbucks

The regression's analysis of changes on an international measure of export diversification did not show an association with TCB obligations. Country case information indicates that the export effects of USAID-supported projects are sometimes obscured by national export patterns. For example, the Philippines experienced poor export earnings between 2002 and 2008 due to weak sales of electronics products, the country's top export; however, when disaggregated, export statistics showed the country had in fact made gains for other products, including seaweed—the focus of a USAID export project in the southern Philippines. Similarly, in Bolivia, USAID projects contributed to non-traditional export gains, but these gains were overshadowed by a sharp increase in the export of oil and gas that made Bolivia's UNCTAD export concentration rating higher at the end of this period than at the beginning.

In addition, the regression found effects that are positive and significant for developing country exports to the “rest of the world,” but not significant for exports to the United States. What this means is that TCB projects do not favor sending exports from developing countries to the United States over other markets. This finding fits well with USAID project-level descriptions of exports from Newly Independent States bound for Western Europe as well as where projects have fostered trade between neighboring.

These findings, reported for the U.S. government as a whole and for USAID alone, were noted in the regression analysis as being positive, though somewhat lower, when USAID was examined separately. Control variables for land area, population and an index of TCB demand did not yield significant findings.

The regression also compared the impact of USAID TCB obligations the evaluation coded a being directly trade-related assistance to those it coded as being indirect, i.e., focused economy wide improvements (e.g., banking, commercial law, business regulations). Regression results were positive for each of these types of TCB assistance in relation to developing country merchandise exports. The association between directly trade related TCB assistance and merchandise exports had a greater magnitude (.006) than did indirect TCB assistance (.001), but neither was significant in isolation, whereas merged they were positive and significant. This synergistic finding validates the need for investments in what the Results Framework treats as critical assumptions, or the domestic economic and business policy environment in target countries. To a somewhat greater degree, this finding also seems to suggest that, absent directly trade-related investments, even a positive domestic policy environment may not yield the kinds of trade performance results that TCB assistance is designed to foster.

The regression analysis further showed that the relationship between USAID TCB obligations and developing country exports is strong in countries that are challenging from an export expansion perspective. These include countries with a higher-than-average need for aid for trade assistance (based on a GDP proxy for “need”), landlocked countries, countries that are distant from the center of the world trading system, and countries that participate in the multi-donor Integrated Framework process for providing trade assistance to least developed countries. Project-level information also suggests that export success is achievable even in countries that are dealing with conflict within their borders. In Afghanistan, for example, *the value added for fresh vegetables and fruits domestically sold, as result of RAMP technical assistance, was estimated at US\$3.16 million, of which US\$1.04 million is for fresh vegetables and US\$2.12 million is for fresh fruits. The total value of exports of dry vegetables and fruits, fresh fruits and nuts during 2005 and the first 6 months of 2006 is US\$1.37 million, of which 77 percent is for dry fruits, 11 percent is for fresh fruits, 6 percent for nuts and 6 percent for dry vegetables. The main importers are Western Europe,*



First shipment of apples from Afghanistan to India, September 2009. Source: defenceforum.in

Russia, Ukraine, India and the Gulf countries. Thus, the direct impact for both domestic value-added and exports claimed by RAMP in marketing of fruits and vegetables is US\$4.56 million. Destinations listed in this example are consistent with the regression finding that the relationship between USAID TCB obligations was stronger for exports to countries other than the United States, as a group, than it was for exports to the United States.

On a predictive basis, the regression analysis found a statistically significant relationship between USAID TCB obligations and developing country exports which indicates that each additional \$1 invested by USAID is associated with a \$42 increase in the value of developing country exports two years later.

This analysis was carried out a second time, switching the focus from USAID investments to total U.S. government investments in TCB (including those made by USAID). This government-wide version of the analysis showed that, on a predictive basis, each additional \$1 invested is associated with a \$53 increase in the value of developing country exports two years later. In the second analysis, USAID TCB assistance accounts for close to 80 percent of the higher government-wide return.

b. Traceable Links between Project Exports and National Exports Gains for Specific Products

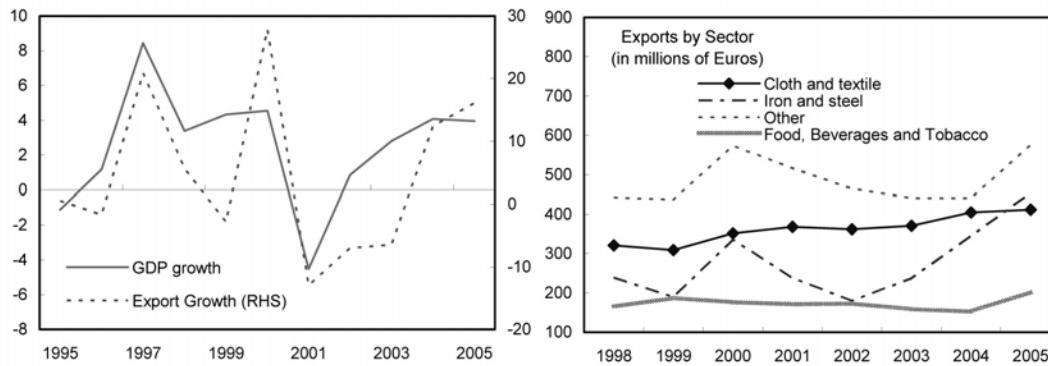
In addition to the association found between USAID TCB obligations and export gains in assisted countries, the evaluation was able, using data from national statistics and third party reports, to trace linkages from project exports to improvements in exports of those products at the national level. Examples of product exports on which USAID projects have had a discernable national level impact, either in volume/value terms or because the products they introduced were new or of higher value-added include trout and artichokes from Peru, flowers and vanilla from Uganda, software from Egypt, certified forest products from Bolivia, and upscale coffee from Rwanda.

In some instances, linkages between country situations, project exports, and national export performance are intertwined, as examples from Albania and Macedonia illustrate:

Albania – USAID’s EDEM project assisted its clients in increasing their competitive capacity and increasing export values. *As a result, new export transactions were achieved, including from the herb and spice industry (\$377,000), for fresh fruits and vegetables (\$784,000) As a result of trade missions organized by the project, a total of 2,234 tons of watermelons were exported to EU markets worth \$432,000. Overall, Albanian fresh fruits and vegetables exports have increased by 55 percent from 2007 to 2008, from approximately \$903,000 to \$1.4 million*

Macedonia – In 2001, Macedonia was recovering from economic crash that followed a political crisis. This recover appears to have been a key reason why exports rose between 2002 and 2005. While iron and steel served as key drivers of Macedonia’s export expansion, food and beverages—an area where USAID has concentrated—also continued to play a role, as the two graphs in Figure 7 show. Initial export breakthroughs for these products grew out of USAID’s Seal of Quality and Agribusiness Assistance Program, which was implemented by Land O’Lakes and established quality standards for livestock products and a dynamic “Macedonia Seal of Quality” consumer advertising and education campaign in order to bolster domestic and export sales. Building on this base, USAID’s Macedonia Competitiveness Activity reported that the project *played a direct role in \$7.3 million in verifiable export sales in 2005 and in \$7.7 million of additional committed exports during the first five months of 2006. Even assuming a conservative case estimate over the next five years, the directly attributable net present value of USAID’s TCB impact on Macedonia through MCA is \$30.76 million. 3 MCA has directly assisted 180 companies, and project activities will have directly resulted in at least 5004 new jobs being created by the end of the year.*

FIGURE 7. MACEDONIAN EXPORT AND GDP GROWTH



Source: Macedonia State Statistical Office

2. REGRESSION FINDINGS ON INTERMEDIATE RESULTS THAT SUPPORT IMPROVEMENTS IN TARGET COUNTRY TRADE PERFORMANCE

The regression analysis also examined on the relationship between TCB investments dedicated to intermediate results in the evaluations TCB Results Framework. The three intermediate results to which USAID TCB obligations were compared in the analysis are shown in Table 4 below which also indicates the share of USAID directly trade-related TCB obligations associated with each of these results. Outcome measures for each of these results are described below.

Table 4. SHARE OF DIRECTLY TRADE RELATED TCB OBLIGATIONS BY RESULTS FRAMEWORK CLUSTER

| Result Framework Cluster | Highest Level Intermediate Results from Results Framework Clusters | Percentage of TCB Obligations Coded as being Invested in Directly Trade Related Projects |
|--------------------------|---|--|
| RF 2.1 | Firm/Industry/Sector Export/Import & Investment Attraction Practices Improved | 72% |
| RF 2.2 | Trade-Related Public Sector Practices Improved | 15% |
| RF 2.3 | More Efficient/Cost-Effective Movement of Traded Goods Across Borders | 13% |

a. Regression Analysis Findings for the RF 2.1 Cluster

Three outcome measures were used in the regression analysis for the RF 2.1 result: *Private Sector Trade-Related Practices Improved*:

- A private business practices factor developed by the study team;
- Number of products exported (at the three-digit SITC code level), from the World Bank’s set of World Trade Indicators; and
- An export concentration index from UNCTAD.

Regression Findings for Improvements in Private Sector Trade-Related Practices

The first two outcome variables listed above—the private business practices factor and export concentration index—did not produce significant findings.

The regression’s findings for the variable of “number of products exported” for the RF 2.1 cluster was both positive and significant (indicating that an increase in obligations is associated with an increase in the number

of products a country exports). A positive and significant association was found for this outcome variable with total USAID obligations and for USAID TCB obligations exclusively for the RF 2.1 cluster. This latter finding is particularly important, as it directly associates the kinds of export development activities carried out under the RF 2.1 cluster with the ‘number of products exported’ variable from USAID TCB target countries.



Exports from Africa to the U.S. have grown under the African Growth and Opportunity Act (AGOA) with USAID trade hub assistance. Source: Smart Aid.

This finding is also consistent with project-level reports which show that in 16 (16 percent) of the 97 projects that described export earnings at least some of those sales were from products not previously exported by the countries involved. It also resonates with data from the World Bank’s World Trade Indicators showing that the number of SITC 3 digit products exported from developing regions rose sharply between 2002 and 2009, i.e., a 99 percent increase in the number of products exported from Africa; 78 percent for Eastern Europe and Eurasia; and 63 percent for Latin America.¹¹

It is also notable that, of the two significant findings for an association between USAID TCB obligations and the number of products exported variable, the significance level in the regression was higher when all USAID funds were considered than for exclusively RF 2.1 TCB obligations. This suggests that USAID projects that focus on RF 2.2 and RF 2.3 may indirectly affect the numbers of products exported by

improving the trade environment in which businesses make export-related decisions and the time involved and cost of exporting products.

Improved access to international markets may also have played a role as a function of USAID TCB support to 23 projects in the RF 2.2 cluster that facilitated and supported the implementation of new and enhanced trade agreements. Between 2002 and 2008, eight countries that had received USAID TCB acceded to the WTO. Another 10 TCB projects worked on expanding market access and trade through regional trade agreements. In addition, between 2001 and 2006, the U.S. signed four bilateral trade agreements (Jordan, Morocco, Peru and CAFTA-DR with group of countries in Central America) with countries that receive USAID TCB support with this process. Further, the African Growth and Opportunity Act (AGOA), which was signed in 2001, and extended duty free treatment to more than 1,900 tariff line items to 37 Sub-Saharan African countries, has been a focus of USAID TCB hub projects examined by this evaluation.

In an additional run of the regression models that separated out obligations for e-commerce, this regression also positive and significant association with the number of products exported variable, indicating that export websites created by governments and industry associations, as well as web-based sales by firms, play an important supporting role in export diversification at the project level.

b. Regression Analysis Finding for the RF 2.2 Cluster

Five outcome measures were used in the regression analysis for the RF 2.2 result: *Trade-Related Public Sector Practices Improved*:

- Applied tariff weighted average (World Trade Indicators),
- Applied tariff simple average (as above),
- Share of duty-free lines in tariff schedules (World Bank),

¹¹ Numbers of products exported, as reported in the World Bank’s World Trade Indicators are counted at the 3-digit SITC, revision 2 level. At this level, it is clear from the WTI database that the regions in which USAID provides TCB assistance have increased the numbers of products exported. Countries represented by the regional averages below include exports from top exporters Brazil, Russia, India and China, but exclude exports from Western Europe. Averaging, to some degree, constrains the impact of top exporters on this measure of regional trends.

- Trade freedom index (Heritage Foundation), which is one of the standard indicators for trade that USAID monitors, and a
- Trade protection factor (developed by the study team) which served a composite index summarizing information on tariffs from multiple sources for 96 countries.

The regression analysis revealed a significant relationship between TCB obligations and the applied tariff weighted average in recipient countries, meaning that countries receiving TCB funds also lowered their tariff rates. This was the case for several levels of funding aggregation—the findings were significant for obligations from the U.S. government as a whole; for USAID obligations considered alone; and for other U.S. government agencies (not including USAID) when TCB funding from other agencies was considered alone. To the degree that developing countries’ terms of trade improved as they lowered tariffs, this finding may also be linked to the association the regression found between TCB obligations and developing country export gains.

The regression also showed a relationship between the applied tariffs weighted average and USAID obligations disaggregated to each of the three subordinate RF levels, i.e., RF 2.1 (private sector export practices), RF 2.2 (public sector practices) and RF 2.3 (trade facilitation); assistance was associated with more liberalized trade in partner countries. This finding was significant for RF 2.1 and RF 2.3; while the analysis suggested that RF 2.2 obligations considered alone also had a relationship with the applied tariff weighted average, the relationship was not found to be significant. The regression also pointed to a significant relationship between TCB obligations for RF 2.3 and the regression’s Trade Protection Factor, which, as described, incorporated information on tariffs from a number of sources, including the Heritage Trade Freedom Index and the IMF’s Tariff Trade Restrictiveness Index. Funds flowing through RF 2.2 were the only type of U.S. TCB assistance that was significant with respect to the regression’s composite Trade Protection Factor.

Other regression findings at the RF 2.2 (public sector practices) level that warrant attention included a positive and statistically significant association between total USAID TCB obligations and the share of duty-free lines in tariff schedules, as well as a positive and significant association between obligations for the RF 2.1 private sector and RF 2.3 trade facilitation clusters and changes in the Heritage Foundation’s Trade Freedom Index. The influence of RF 2.3 activities on this RF 2.2 outcome measure is particularly important. Improvements in customs administration and operations in recipient countries fall under RF 2.3 in the evaluation’s Results Framework rather than under RF 2.2, since they contribute directly to the trade facilitation outcome of *more efficient and cost-effective movement of traded goods across borders*.

c. Regression Analysis Finding for the RF 2.3 Cluster

Three outcome measures were used in the regression analysis for the RF 2.3 result: *More Efficient and Cost-Effective Movement of Traded Goods across Borders*:

- A “doing business factor” from the World Bank’s new Doing Business, Trading Across Borders, database for 2006–2008.
- Logistics performance index (LPI) factor – from the World Bank; and
- A customs index factor that integrates elements from the Global Competitiveness Report.

No statistically significant relationship was found between TCB obligations for this results cluster and the customs index measure or the “doing business” measure shown above. The University of Pittsburgh research team noted the limited number of years covered in the data sets used as a possible factor, particularly in



Customs simplification under the USAID Regional Trade Liberalization and Customs Project in Central Asia facilitates cross-border trade. Source: USAID

light of the finding under RF 2.2 of a statistically significant association between RF 2.3 TCB obligations and the Heritage Trade Freedom Index, which includes a customs component, suggesting that a relationship may exist even if the measures used for RF 2.3 did not detect one. A positive association between RF 2.3 and some measure that includes a customs element would not be surprising given project-level reports showing that 22 USAID TCB projects supported customs modernization and 16 of them described improvements in customs processing facilitated by those projects.

Similarly, the regression analysis, which considered a large number of countries, did not find an association between USAID obligations and changes in the LPI index. With respect to this finding the University of Pittsburg research team noted that this relatively new index contains data for only a short time period

Project-level reports show that USAID TCB projects in 11 countries projects described successful efforts to reduce the time and cost of moving goods across borders. Further, as Table 5 shows, the LPI customs factor scores improved for 7 of these 11 countries. These country-specific data confirm the message delivered by USAID project performance reports concerning customs time/cost improvements in all but one case.¹² Customs improvements, it should be noted, are only one of six characteristics that contribute to overall LPI index scores, which could explain why a regression against the index as a whole did not detect relationships linked exclusively to customs modernization.¹³

Table 5. CHANGE IN WORLD BANK LOGISTICS PERFORMANCE (LPI) INDEX CUSTOMS FACTOR SCORES

| Country | LPI Customs Factor Score 2007 | LPI Customs Factor Score 2010 | Change |
|-------------|-------------------------------|-------------------------------|--------|
| Lebanon | 2.17 | 3.27 | 1.10 |
| Kazakhstan | 1.91 | 2.38 | .47 |
| Colombia | 2.10 | 2.50 | .40 |
| El Salvador | 2.38 | 2.48 | .10 |
| Philippines | 2.64 | 2.67 | .03 |
| Egypt | 2.08 | 2.11 | .03 |
| Jamaica | 2.35 | 2.00 | -.35 |

3. OTHER FACTORS THAT INFLUENCE TRADE PERFORMANCE

As noted above, the sharp rise in developing country exports between 2002 and 2008 depicted in Figures 5 and 6 were likely the result of a number of factors. The regression analysis carried out for this evaluation was not designed to analyze and rank order the importance of all possible factors, in addition to USAID TCB obligations that might have played a role. .

Many of the factors that are considered to be significant determinants of export growth are well known from empirical studies that focus on this question, including a recent cross-country analysis of determinants of exports for 101 countries (Fugazza 2004) and single country studies for countries like Uganda where exports, economic growth and poverty reduction appear to be interrelated (Nimrod 2009). Recent studies of this sort

¹² In Jamaica, where USAID worked on only one component of the country’s customs reform effort, a third party report indicates that the country’s decision to develop its own customs software rather than use an off-the-shelf product, as well as logistics problems and customs staff resistance have impeded progress (<http://www.my-world-guide.com/upload/File/Reports/j/jamaica/E-Government%20in%20Jamaica%20-%20The%20Customs%20Automation%20Services.pdf>)

¹³ The World Bank describes the LPI Index as measuring the performance of countries in six areas that capture the most important aspects of the current logistics environment: (a) Efficiency of the customs clearance process, (b) the quality of trade and transport-related infrastructure, (c) the ease of arranging competitively priced shipments, (d) the competence and quality of logistics services, (f) the ability to track and trace consignments, and (g) the frequency with which shipments reach the consignee within the scheduled or expected time.

divide factors that influence export growth into external and internal (domestic) factors and sort between those that are associated with export growth at a statistically significant level and those which are not. This division is reflected in the evaluation’s TCB Results Framework, which includes a set of critical assumptions about external factors to the left of the three results clusters it examined.

On the external side these studies find foreign market access (which also subsumes trade policy and trade agreements under RF 2.2) and world prices to be significant determinants of export growth, as is foreign direct investment in some instances. On the internal side, with some differences on a country specific basis, these studies found that a country’s GDP, its export growth in recent quarters, its terms of trade, real exchange rate, macroeconomic environment, internal transport infrastructure (captured by the percentage of paved roads), and the size of the domestic market were significant determinants of export growth. Conversely, an overvalued currency negatively affected export growth and a country’s total population were insignificant. Findings from the evaluation’s regression analysis are consistent with studies referenced above to the extent that variables considered overlapped.

In subsections below, the evaluation examines the status of a number of these factors since 2002 and the role they were perceived to play in export growth.

a. External Factors

The time period examined by this evaluation began and ended with an economic downturn, as shown in Figure 8. Following ten years of growth in the 1990s, the United States slipped into a recession in 2000-2001 that was precipitated by the failure of many internet (dot.com) related industries and exacerbated by the impact of the September 11, 2001 terrorist attacks. Growth in global trade subsequently fell from 13 percent in 2000 to just one percent in 2001, and it was in this context that the Doha Round of international trade negotiations was initiated in November 2001. Rebounding after 2001, economic growth was strong through 2005 and, after a dip in 2006, rose again before declining again precipitously in 2009 in the wake of the international financial crisis. Figure 8 shows the effects of the second of these downturns, which were manifested globally as a decline in world GDP growth.

FIGURE 8. WORLD GDP GROWTH RATE 2000 TO 2009

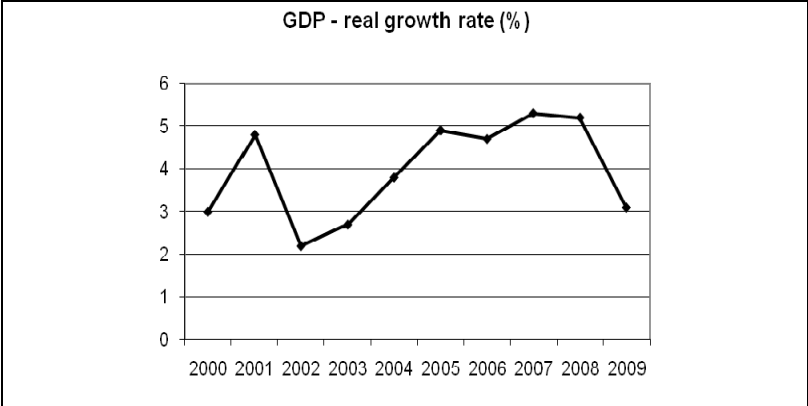
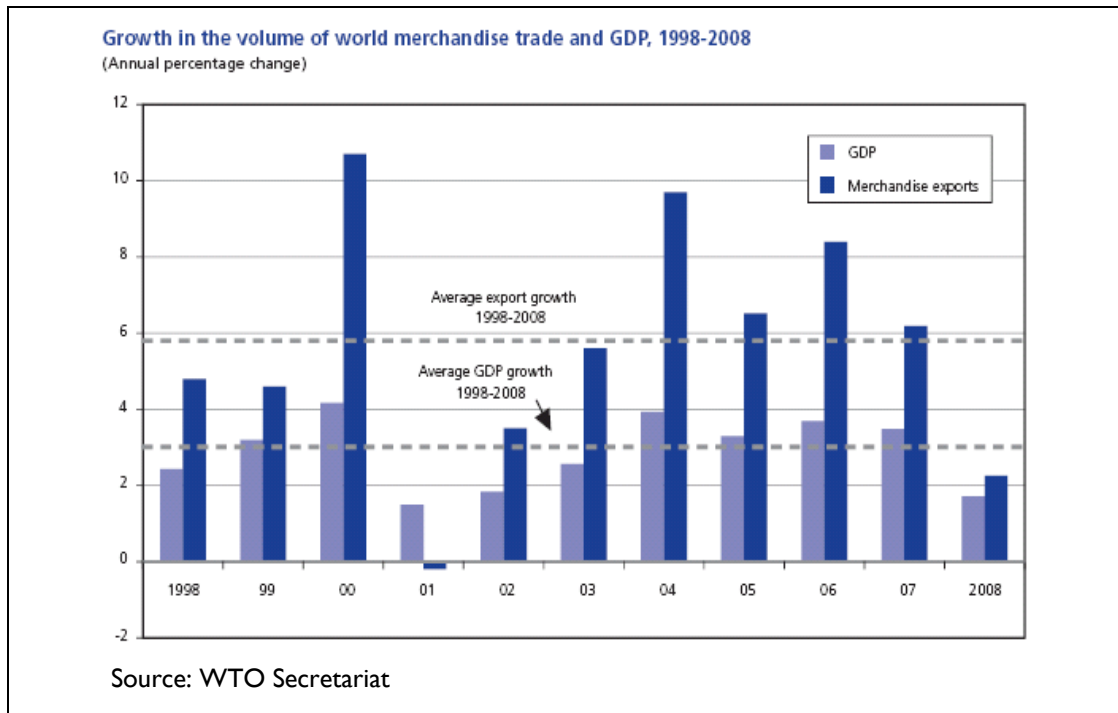


Figure 9 shows the relationship between declines in GDP during these two downturns and merchandise trade. As Figure 9 shows, the level of world trade declined following each of these downturns.

FIGURE 9. GROWTH IN WORLD TRADE AND GDP 1998-2008



For 2009 alone, the IMF, on its website, estimated that developing countries as a group would see their economic growth rates cut in half. In examining the global financial crisis, a World Bank report published in early 2010, *Global Economic Prospects 2010: Crisis, Finance, and Growth*, stated that “along with industrial production, global trade was the component of real-side activity most deeply affected by the crisis. The value of world trade plummeted 31 percent between August 2008 and its low point in March 2009.” This report also noted that “the crisis is having serious cumulative impacts on poverty, with 64 million more people expected to be living in extreme poverty by the end of 2010 than would have been the case without the crisis, according to updated analysis.”¹⁴ A supporting analysis, conducted by the International Trade Commission (ITC), concluded that “markets for LDC exports contracted across the board, with some of the increasingly important markets of Brazil and China contracting by a significant 58 percent in the first half of 2009 compared with the previous year. OECD imports from LDCs fell by 24 percent over the same period.”¹⁵

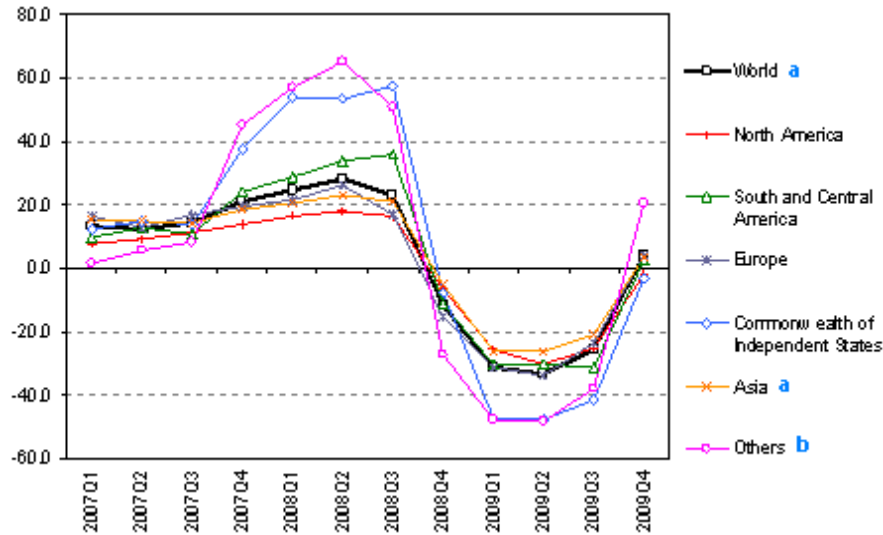
While some countries were hit harder than others by this recession, these assessments make it clear that the U.S. recession impacted virtually all of the countries the U.S. government’s trade capacity building initiative supported. In demonstrating how the effects of this crisis were evidenced at the level of firms in developing countries, one USAID project highlighted that “manufacturing in Cambodian of clothing exports to the United States—its largest market—dropped by 27 percent in the first 5 months of 2009 from the corresponding period of 2008.”¹⁶ This situation began to improve in the second half of 2009 and exports are recovering in developing country regions (Figure 10)—as they did earlier between 2003 and 2007.

¹⁴ World Bank. Global Economic Crisis, 2010 summary on World Bank website at: <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/0,,contentMDK:22446906~pagePK:64165401~piPK:64165026~theSitePK:469372,00.html>

¹⁵ International Trade Center newsletter (undated) available at: <http://www.intracen.org/marketanalysis/Docs/Newsletters/ITC-Free-Tools-Newsletter-Dec09-EN.pdf>

¹⁶ AUSAID website discussion on the global recession at <http://www.aUSAID.gov.au/makediff/gec.cfm>

FIGURE 10. GROWTH OF WORLD MERCHANDISE EXPORTS BY REGION (2007-2009), YEAR BY YEAR CHANGE IN DOLLAR VALUE (WTO)



Source: WTO, Press/598 (2010)

What these experiences show is how responsive trade is to global crises and to price fluctuations. Developing countries in particular are heavily invested in commodities and are therefore vulnerable to dramatic shifts in commodity prices. As Figure 11 below shows, commodity prices remained fairly steady in the first two years of the first of these recoveries, which started in 2002, and then rose across all product groups for the next six years, with extractives rising at an even faster rate than other commodities.

As the evidence presented above suggests, rising world prices for some types of products positively affected developing country export earnings over the 2002–2008 period and almost undeniably helped USAID-funded agricultural export initiatives to realize export gains. The results of the evaluation’s regression analysis, it should be noted, do not require interpretation in light of short term cycles in this way. The regression analysis used a time series of longer duration over a period that included macroeconomic cycles.

Price shifts that produce strong export gains for certain commodities and extractives can negatively affect a country’s degree of export concentration and mask smaller gains for non-traditional exports. This happened in Bolivia when prices rose for its exports of natural gas and minerals. As depicted in Figure 12 below, over a decade during which USAID actively supported projects focused on non-traditional exports, export earnings for non-traditional exports rose annually. At the same time, however, Bolivia’s exports of natural gas and minerals were rising even more sharply. The net result was that, over the evaluation study period, exports of extractives in Bolivia dwarfed the country’s gains in non-traditional exports to the extent that the country’s export concentration index rose by 41 percent in just three years, drawing the attention of the World Bank in light of the increased risk this implied for Bolivian economic stability. Figure 12, from the World Bank’s 2009 report, *Strengthening Bolivia’s Competitiveness: Export Diversification and Inclusive Growth*, illustrates how a massive increase in exports over decade undercut the export diversification potential embedded in non-traditional export projects supported by TCB funds. More detailed graphics in this report show that prices also affected trade at the sector level, with agricultural commodities growing faster than manufactures.

FIGURE 11. COMMODITY PRICE INDICES 2001 TO 2009

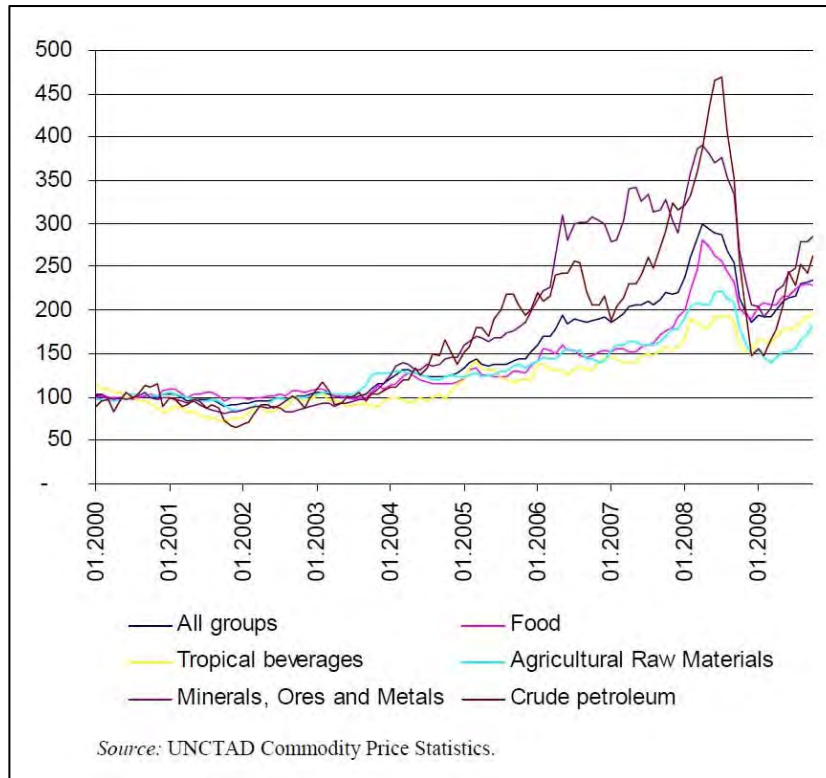
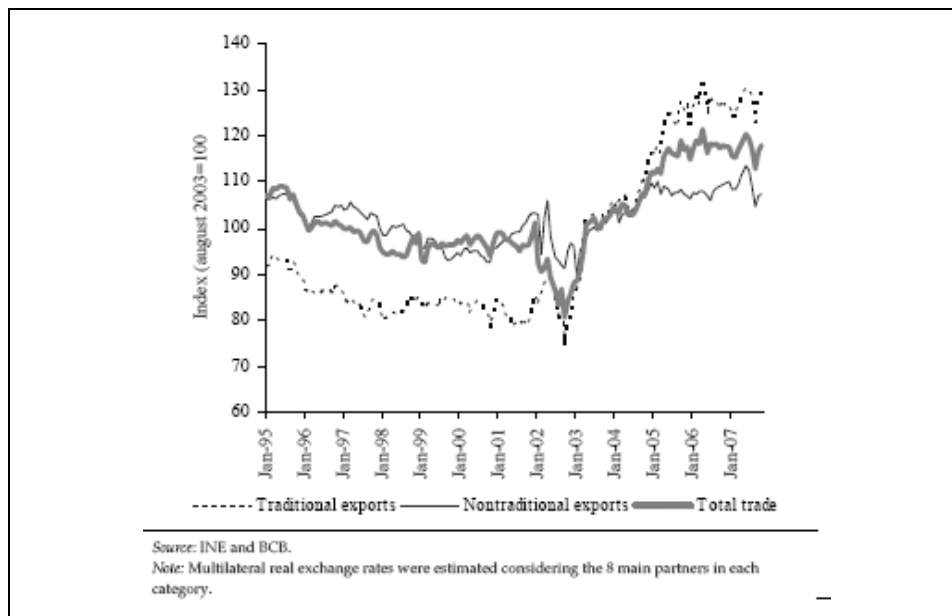


FIGURE 12. TRADITIONAL AND NON-TRADITIONAL EXPORTS FROM BOLIVIA, 1995-2007



b. Internal Factors

The range of internal economic and business climate factors that can influence trade performance is considerable and their status is, by definition, country-specific. USAID invests in improvement across this range under budget-linked program areas that focus on macroeconomic policy, the financial sector, infrastructure, private sector competition, and economic opportunities, which includes considerable support for small and medium size enterprises and microfinance. Of the \$2,830,477,900 invested in TCB-funded activities by USAID in 2002-2008, the MSI team identified \$732,834,001 (26 percent) as having these types of economy-wide rather than a trade-specific focus. Of this sum, \$521,079,734 (71 percent) was invested in projects that were coded as being indirectly trade related and \$211,754,267 (29 percent) was invested in projects with multiple components, some of which were directly trade related and some that were not. In the TCB Results Framework these indirectly trade-related investments were clustered as investments aimed at ensuring that assumptions about critical supporting conditions for trade performance remained stable or improved.

In order to better understand the relationship between USAID TCB investments and export performance at the country level where internal factors, as well as external factors, appear to have affected export performance, the evaluation team carried out a supplementary analysis for selected countries aimed at identifying what factors, in addition to TCB assistance, seemed to have contributed to trade performance, and more particularly, export gains.

The dimensions on which countries were categorized and examined in this supplementary analysis included the level of TCB assistance they received, and the size of the export gains they made between 2002 and 2007 (the latest year for which UNCTAD export time series were available). These dimensions were arranged as a matrix, as shown in Figure 6, with five levels of TCB assistance to countries displayed as rows: four levels (quartiles) that received USAID TCB assistance, plus a group of countries that did not receive any USAID TCB assistance. Concurrently, the matrix columns display five levels of export gains (quintiles) achieved by these countries. The number of countries whose total merchandise exports fell into each possible export gain and TCB assistance combination on the matrix is shown in Figure 6.¹⁷

In the top TCB funding quintile in Table 6 (the top row of the matrix), countries are clustered at the high end of the export gains continuum (far right columns), suggesting, as did the regression analysis, that on average countries that receive TCB funding also achieve export gains. For lower TCB funding quartiles (2nd through 4th quartile) and for countries that received no TCB funding (5th quartile), the tendency for countries to cluster at the high end of the export gains continuum is less pronounced.

In quantitative terms, the patterns in Table 6 show that, as levels of USAID TCB assistance decline, there is a tendency for export achievements to be lower:

- 56% of the 46 countries in the top two quintiles for TCB funding were also in the top two quintiles with respect to an increase in merchandise exports;
- 41 percent of the 46 countries in the 3rd and 4th quintiles for TCB funding were also in the top two quintiles with respect to an increase in merchandise exports;

Notably, 33 percent of the 92 countries that did not receive USAID TCB funds were also in the top two quintiles with respect to an increase in merchandise exports, which indicates that TCB alone does not fully explain export gains in developing countries.

¹⁷ The analysis described above was repeated for “merchandise trade minus extractives” as well as for service sector exports, on both an absolute and per capita basis, to determine whether patterns described above for the absolute level of merchandise exports were evident when the analysis was carried out on a slightly different basis.

The inclusion of this group of non-recipients, served, at the next stage of this supplementary analysis, as a counterfactual that helped to identify what factors help foster export gains where TCB assistance is not provided, or at least not provided by USAID.

Table 6. DEGREE OF IMPROVEMENTS IN MERCHANDISE EXPORTS BY TCB FUNDING LEVEL

(n =186)

| Level of USAID TCB Funding (2002-2006) in Quintiles* | Degree of Improvement in Merchandise Exports (2002-2007) in Quintiles | | | | | Number of Countries with by TCB Funding Cluster |
|--|---|----------------------------------|----------------------------------|----------------------------------|--|---|
| | Bottom – 1 st Quintile Exports | 2 nd Quintile Exports | 3 rd Quintile Exports | 4 th Quintile Exports | Top - 5 th Quintile Exports | |
| Top (5 th) Quintile USAID TCB Funds | 2 (8%) | 3 (13%) | 3 (13%) | 8 (33%) | 8 (33%) | 24 |
| 4 th Quintile USAID TCB Funds | 2 (9%) | 5 (23%) | 5 (23%) | 6 (27%) | 4 (18%) | 22 |
| 3 rd Quintile USAID TCB Funds | 4 (17%) | 1 (4%) | 9 (38%) | 6 (25%) | 4 (17%) | 24 |
| 2 nd Quintile USAID TCB Funds | 5 (22%) | 6 (26%) | 2 (9%) | 5 (22%) | 4 (17%) | 22 |
| 1 st Quintile No USAID TCB Funds | 23 (25%) | 21 (23%) | 18 (19%) | 15 (16%) | 15 (16%) | 92 |
| Number of Countries by Export Quintile | 36 | 36 | 37 | 40 | 35 | 184 |

When this type of analysis was carried out for countries based on their “merchandise exports minus extractives” (not shown in a table), exactly the same pattern emerged. Countries with higher levels of USAID TCB funding clustered at the high end of the export gain continuum. This pattern was less pronounced though essentially the same for when the same analysis was carried out for countries using service sector export data (also not shown in a table), and for export gains calculated on a per capita basis.

Table 7 below displays the “top performer countries”, on a total merchandise export basis, that emerged from the analysis outlined for Table 6 above. Top performers were defined as the set of countries that received a high level of USAID TCB assistance (i.e., fell in one of the top two quintiles on the TCB funding side of the matrix) and also achieved high export gains (i.e., fell into the top export gain quintile).

For all of the countries that achieved high exports (in the 5th quintile), regardless of their TCB funding quintile, the evaluation undertook an additional step in this analysis in order to gain a better understanding of what characteristics in high export gain countries – besides their level of USAID TCB funding – might explain their strong export gains. To this end, the evaluation gathered information about country export trends, foreign direct investment (FDI), macroeconomic policies, trade agreements, measures of the ease of “doing business”, other donor TCB projects, etc. The list of factors in Table 6 that might have helped foster exports in these countries was arrived at inductively, based on case-by-case research, primarily through the Internet. Some types of information for this analysis were consistently obtained from specific sources; for example, for foreign direct investment levels, FDI.net was used as a source. For trade policy, World Bank trade briefs were used when they were available. The search protocol located other types of information using keyword and phrase based searches such as “export growth,” “top exports from,” “trade policy,” “trade agreements,” “foreign direct investment.”

Table 7. TOP EXPORTERS WITH HIGH LEVELS OF USAID TCB ASSISTANCE

(n =20)

| Country | USAID TCB Funding Quintile (2002-2006) | Countries in the Top (5 th) Quintile on Change in Exports (2002-2007) | | |
|-----------------------|--|---|---------------------------------------|------------------------|
| | | Merchandise Exports | Merchandise Exports Minus Extractives | Service Sector Exports |
| Egypt | 5 th (Top) | ▲ | ▲ | |
| Afghanistan | 5 th | ▲ | | |
| Bolivia | 5 th | ▲ | ▲ | |
| Croatia | 5 th | | | ▲ |
| Georgia | 5 th | ▲ | ▲ | ▲ |
| Macedonia | 5 th | | | ▲ |
| Morocco | 5 th | | | ▲ |
| Peru | 5 th | ▲ | ▲ | |
| Uganda | 5 th | ▲ | ▲ | |
| Ukraine | 5 th | | ▲ | ▲ |
| <i>Subtotal</i> | | 6 | 6 | 5 |
| Sudan | 4 th | ▲ | | |
| Serbia and Montenegro | 4 th | ▲ | | |
| Bosnia & Herzegovina | 4 th | ▲ | | |
| Romania | 4 th | | | ▲ |
| Albania | 4 th | | ▲ | ▲ |
| Kazakhstan | 4 th | ▲ | ▲ | |
| Kyrgyzstan | 4 th | | | ▲ |
| Armenia | 4 th | | | ▲ |
| Rwanda | 4 th | | ▲ | |
| Guatemala | 4 th | | ▲ | |
| <i>Subtotal</i> | | 4 | 4 | 4 |
| Total | | 10 | 10 | 9 |

Once these data were collected for each country in the list in Table 7, a pattern analysis across countries was undertaken to determine which of the factors that had been identified, in addition to TCB assistance, were most often associated with high levels of export gains. This pattern analysis identified 14 factors that appeared with greater or lesser frequency across all countries that received high levels of USAID TCB funding (i.e., those in the 4th or 5th quintile on this matrix dimension) and where in the 5th quintile on export gains. These 14 factors, which are shown in the column headings in Table 8, below, included three factors that were trade specific, i.e., trade agreements, other trade policy reforms, and government export promotion programs.

Three other factors identified in the column headings in Table 8 focused on the broader enabling environment, i.e., macroeconomic policy, currency depreciation, a reduction in corruption, microeconomic (“doing business”) reforms, and infrastructure improvements. Another two factors focused on stability: one on political stability and the other on crisis/recovery. External intervention factors were also noted in some countries, including the presence of USAID or donor TCB projects and FDI going into non-traditional exports. Two other factors were present in some but not all countries, namely border relations issues or changes and the role of extractives in the country’s export mix, i.e., sharp export gains due to a rise in prices

for a particular extractive. The frequency with which these factors were present in countries listed in Table 7 is shown in Table 8.

Table 8. TRADE ENVIRONMENT FACTORS PRESENT IN HIGH EXPORT COUNTRIES BY LEVEL OF TCB ASSISTANCE

| Countries Level of USAID TCB Funding (Quartiles for the Presence of TCB Funding Plus No TCB Funding) | Trade Specific Factors | | | Enabling Environment Factors | | | | | Stability Factors | | External Intervention Factors | | Export Portfolio Factors | | Average Number of Factors All Countries |
|--|--------------------------------------|-----------------------|--------------------------------------|------------------------------|-----------------------|-------------------------|-----------------------------|----------------------------|-------------------------------|-----------------|-------------------------------|---|----------------------------------|---|---|
| | Trade/Economic Cooperation Agreement | Trade-Specific Reform | Export Promotion/Government Planning | Macroeconomic Policy Reform | Currency Depreciation | Reduction in Corruption | Microeconomic Policy Reform | Infrastructure Improvement | Increased Political Stability | Crisis/Recovery | Specific Donor Project | FDI in Non-Traditional Exporting Sector | Border Relations/Security Issues | Extractives/Primary Commodities Price Fluctuation | |
| Top (5 th) Quintile USAID TCB Funds - Highest (n = 10) | 6 | 6 | 4 | 6 | 0 | 1 | 7 | 5 | 3 | 4 | 7 | 2 | 4 | 3 | 5.7 |
| 4 th Quintile USAID TCB Funds (n = 10) | 6 | 4 | 4 | 5 | 1 | 2 | 8 | 4 | 2 | 4 | 2 | 3 | 1 | 4 | 5.3 |
| 3 rd Quintile USAID TCB Funds (n = 9) | 2 | 2 | 1 | 0 | 1 | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 1 | 6 | 1.89 |
| 2 nd Quintile USAID TCB Funds - Lowest (n = 6) | 1 | 1 | 0 | 2 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 4 | 1.83 |
| 1 st Quintile No USAID TCB Funds (n = 23) | 9 | 2 | 0 | 2 | 1 | 0 | 0 | 0 | 4 | 0 | 2 | 2 | 1 | 7 | 1.3 |
| Total | 24 | 15 | 9 | 15 | 3 | 3 | 16 | 11 | 10 | 8 | 13 | 8 | 7 | 24 | |

With one exception—namely, changes in prices paid for extractives and primary commodities—all of the factors observed in countries tend to be more consistently present in those countries that received higher levels of USAID TCB assistance. This phenomenon is captured in the far right column in Table 8, which shows the average number of factors observed in countries by USAID TCB funding level. The average number of factors in countries with USAID TCB funding in the 3rd and 4th quintiles is far higher than for lower levels of USAID TCB funding, or where USAID TCB funding was not provided.

As Table 8 shows the number of “other factors” that may have contributed to export gains was highest in countries that received the highest levels of USAID TCB assistance. This raises a question that the matrix above cannot answer, namely whether countries that are doing well on other grounds, e.g., undertaking policy reforms, are more likely to receive high levels of TCB assistance than other countries, or whether the presence of TCB assistance encouraged countries to undertake such reforms.

Some of these factors, particularly the stability set, would not necessarily make countries seem like good candidates for TCB assistance, although they would generally make them priorities for USAID assistance. Additionally, some factors, such as currency depreciations and changes in external prices for extractives and commodities, may not have been observable at the point when USAID began investing in trade capacity building. On the other hand, USAID may have played a supportive role with respect to “enabling environment” factors in some of these countries and may have viewed changes in that realm as fostering the improved policy environment that is needed to introduce trade capacity building reforms and other types of changes.

Data from this analysis highlight these questions but do not answer them definitively one way or the other. What study data were able to provide were examples of how, in specific countries, the various factors shown in the column headings in Table 8 may have fostered export gains.

Specific country experiences of this sort are described below for three of the factors highlighted in Table 8, namely: trade agreements, foreign direct investments in extractive industries, and micro-economic, or “doing business” reforms:

Trade Agreements

In Egypt, the Association Agreement on EU/Egypt trade (entered into force on June 1, 2004) receives less attention in some descriptions of Egypt’s progress in the mid-2000s than does an impressive policy reform agenda introduced that same year. Yet the EU-Egypt bilateral trade appears to have had a significant impact on Egyptian export growth.

- Trade has been steadily increasing: €11,5 billion in 2004, €13,3 billion in 2005 and € 16.3 billion in 2006 (a 63% increase compared to an average of € 10 billion before implementation of the Agreement) with an upward trend for both Egyptian exports to the EU which have increased by 45 % in 2006 and EU exports to Egypt which increased by 6%. Egypt’s trade deficit has reduced significantly as exports increased: € 1.2 bi in 2006 compared to € 3.2 bi in 2004. The enlarged EU is the first trade partner for Egypt and represents about 40% of Egypt’s total trade with the world.¹⁸

FDI and Extractives

The OECD report *Foreign Direct Investment for Development* (2002) illustrates how FDI interacts with local opportunities to raise exports but does not necessarily yield other benefits: Ghana, for example, has a variety of mineral resources and mining that dates back well into the pre-colonial times. However, since the inception of the World Bank/IMF-led Mineral Sector Reform Project in Ghana in the mid 1980’s, there has been a significant increase in mining activities particularly gold. The attractive new mining sector policies created a huge foreign investor interest, witnessing a massive foreign direct investment of over U\$2 billion into the mining sector over the last decade. The mining sector now contributes 41% of the country’s foreign exchange and is the leading foreign exchange earner. Gold, the most important mineral, now earns over U\$600 million and, making up almost 90% of the mineral output, has replaced cocoa as the leading foreign exchange earner. However, in spite of these positive indicators, the role of the mining industry in the economic development

SELECTING TRADE CAPACITY BUILDING PARTNERS

USAID’s strategy for trade capacity building recognizes that activities are likely to have the greatest impact when they are implemented in reform-minded developing countries—those that already have made progress in establishing a sound investment climate and in liberalizing financial and other service sectors that support competitive exports.

Building Trade Capacity in the Developing World
USAID, 2003

¹⁸ EU-Egypt trade under the Association Agreement, Three Years Anniversary (author unknown) available at: <http://www.delegy.ec.europa.eu/en/doc/AA%203%20years%20anniversary%202.doc>

of Ghana is suspect. Despite the over US\$2 billion FDI, the sector is yet to make any impact on the country's overall economy. The sector's contribution to the country's GDP is a meager average of 1.5% since 1993. There is lack of linkage between the mineral sector and the rest of the internal economy. The massive investment has not been translated into significant increase in employment. Labor-intensive underground gold mines have been replaced by surface mining, which is capital intensive and employs relatively few people. Large-scale surface mines only employ about 20,000 workers whilst over twice this number are involved in small-scale mining. State mines, now privatized, aim to maximize profits and have retrenched more than 50% of their workforce, many of whom have moved to the informal sector. There is hardly any value addition for gold in the country.

Microeconomic Reform

Of particular interest in this mix of factors is the set designated by the term "microeconomic policy reform," or what USAID's 2008 strategy for economic growth, entitled *Securing the Future*, referred to when it described "microeconomic 'drivers' of growth as 'the new frontier'" for USAID assistance aimed at fostering economic growth. Factors grouped under this term ranked very high among those present in countries with strong export gains and high levels of USAID TCB assistance. The specific microeconomic changes noted by the MSI team in its country-by-country review of factors that were frequently present in countries that realized export gains between 2002 and 2007 are presented in Table 9 below.

In the bullets below, country-specific examples are provided of these types of microeconomic reforms listed in Table 9. Examples of this sort, found in newspaper and journal articles are what prompted the evaluation team to categorize countries as having undertaken microeconomic policy reforms.

- **Egypt**— The establishment in 2004 of a well-functioning foreign exchange market lifted formal and informal restrictions on access to foreign exchange that had long hampered business in Egypt. Business regulations were streamlined to speed up customs clearance and facilitate registration of new businesses and property. Egypt consequently earned the honor of top reformer in the World Bank's 2007 *Doing Business Report*.
- **Georgia**— Georgia was a highly touted 'Top Reformer' in "Doing Business." It ranked 11th out of 183 economies rated by the Doing Business Report 2010, and has been among the top ten reforming countries for the last five years. Four years ago, when Georgia began its process of reform, it was ranked 112th—behind many other countries in the region such as Armenia, Russia, Kazakhstan and Turkey. Since then, it has moved up 101 positions and is the only country of those monitored by the World Bank to achieve such progress in such a short period of time; in this way, the country has laid a strong foundation for future business growth. The World Bank's "*Anti-Corruption in Transition 3*" report places Georgia among the countries showing the most dramatic improvement in the struggle against corruption due to implementation of key economic and institutional reforms, as well as a reported reduction in the bribes paid by firms in the course of doing business.



Georgia food festival and trade fair organized by USAID's GEI project. Source: Nino Rostomashvili

**Table 9. MICROECONOMIC REFORMS OBSERVED
IN TOP PERFORMERS (2002-2007)**
(n = 16)

| Microeconomic Reforms | | |
|--|---|---|
| Narrative Description of Microeconomic Reforms | Frequency with which Reforms were Described | Percentage of 16 Countries where Microeconomic Reforms were Described |
| Easing impediments (general) and improving business climate/administrative regulations | 7 | 44% |
| Creation of a one-stop shop to establish business | 4 | 25% |
| Facilitate registration of businesses | 4 | 25% |
| Improve business climate | 4 | 25% |
| Tax and investment incentives to businesses/investors | 2 | 13% |
| Introduction of more competition | 2 | 13% |
| Reduction in bribes | 1 | 6% |
| General “doing business” top/bottom reformer | 1 | 6% |

4. Countries with Weak Export Gains and a High Level of USAID TCB Assistance

In the previous section, MSI looked at countries that received a high level of TCB funding and achieved high export gains. In this section countries that had high levels of TCB assistance but whose export performance was weak are examined. The intent here is to contrast conditions in countries with similar levels of TCB assistance but different export experiences to see whether there are patterns of other factors present in countries that had strong export gains that are absent in countries that had weak export gains. Countries included received USAID TCB funding at the 4th or 5th quintile level. Their exports were at the weakest level (1st quintile). A total of nine countries fell fit these conditions, as shown in Table 10.

Applying the same procedures, the evaluation team examined countries in this group to determine what factors coexisted with high levels of USAID TCB funding and low export gains. Table 11 summarizes the findings of that review. This analysis of countries that realized weak export performance gains in spite of receiving high levels of USAID TCB assistance indicated that these country profiles most closely resembled those of countries that received little or no USAID TCB assistance, meaning that key supporting factors, including trade and both macro- and microeconomic reforms, were either absent or proceeding at a slower pace than in other countries. In several of these countries, including the Philippines, Ecuador, and Mali, exports are heavily concentrated in a single sector that experienced production problems, price fluctuations, or a significant decline in orders during this period. In Sri Lanka and Timor Leste, conflict negatively affected export earnings, including tourism revenues. While each of these situations was unique, on the whole, this analysis indicates that in countries where the enabling environment is inadequate, the effectiveness of high levels of trade assistance may be constrained.

Findings from this part of the analysis are consistent with and reconfirm broad conclusions reached in earlier examinations of trade capacity building programs carried out by the World Bank and other donors, along with a 2004 USAID evaluation, which were synthesized in a 2006 review entitled, *Trade Related Assistance, What Do Recent Evaluations Tell Us?* (OECD, 2006). To the degree this evaluation adds to what earlier studies learned may be through the analytic techniques it used to identify patterns across countries. With further refinement and study, this approach might help improve a donor’s ability to predict whether TCB investments would be likely to succeed in a particular country at a particular point in time, as well as to identify what would changes would be necessary for success to be possible.

Table 10. **LOW EXPORT PERFORMERS WITH HIGH USAID TCB ASSISTANCE**¹⁹

(n = 9)

| Country | USAID TCB Funding Quintile (2002-2006) | Countries in the Bottom Quintile on Change in Exports (2002-2007) | | |
|--------------------|--|---|---------------------------------------|------------------------|
| | | Merchandise Exports | Merchandise Exports Minus Extractives | Service Sector Exports |
| Philippines | 5 th (Top) | ▼ | ▼ | |
| El Salvador | 5 th | ▼ | | |
| Ecuador | 5 th | | | ▼ (-) |
| Mali | 5 th | | ▼ | |
| Subtotal | | 2 | 2 | 1 |
| Sri Lanka | 4 th | | ▼ | ▼ |
| Timor-Leste | 4 th | ▼ | | |
| Mexico | 4 th | ▼ (-) | ▼ | ▼ |
| Dominican Republic | 4 th | ▼ (-) | | |
| Guatemala | 4 th | | | ▼ |
| Subtotal | | 3 | 2 | 3 |
| Total | | 5 | 4 | 4 |

Table 11. **FACTORS PRESENT IN LOW PERFORMERS WITH HIGH TCB ASSISTANCE**

(n = 9)

| Countries by Trade Capacity Building Funding Level | Trade Specific Factors | | | Enabling Environment Factors | | | | | Stability Factors | | External Intervention Factors | | Export Portfolio Factors | | |
|---|--------------------------------------|-----------------------|--------------------------------------|------------------------------|-----------------------|-------------------------|-----------------------------|----------------------------|-------------------------------|-----------------|-------------------------------|---|-----------------------------|---|---|
| | Trade/Economic Cooperation Agreement | Trade-Specific Reform | Export Promotion/Government Planning | Macroeconomic Policy Reform | Currency Depreciation | Reduction in Corruption | Microeconomic Policy Reform | Infrastructure Improvement | Increased Political Stability | Crisis/Recovery | Specific Donor Project | FDI in Non-Traditional Exporting Sector | Border Relations/Geographic | Extractives/Primary Commodities Price Fluctuation | Average Number of Factors All Countries |
| Top (5 th) Quintile USAID TCB Funds (n = 4) | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 1 | 1.25 |
| 4 th Quintile USAID TCB Funds (n = 5) | 2 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 1.4 |
| Total | 2 | 1 | 0 | 2 | 0 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 3 | |

¹⁹ On this table the symbol (-) indicates that the country's change in exports from 2002-2007 was negative for the type of exports shown.

QUESTION 2: WHAT IMPACT HAVE USAID TCB PROJECTS HAD ON THE FIRMS, INDIVIDUALS, ASSOCIATIONS, SECTORS, ECONOMIES AND GOVERNMENT AGENCIES TARGETED BY THE INTERVENTIONS?

This section addresses USAID’s question about the impact of TCB investments on individuals, firms, associations, government agencies, sectors, and economies. Findings in this section draw on project level results that are presented in greater detail, on a Results Framework cluster basis, in Part Two of this report. The section begins with the evaluation’s conclusions concerning this question. It then moves to sequentially present findings ranging from micro- level impacts, including the impacts on individuals and their families, to the most macro-level impacts on whole economies.

Conclusions:

- Involvement in USAID TCB projects affects how people, businesses, and governments understand, interact with, and benefit from the global economy.
- The full impact of USAID TCB assistance on individuals, institutions, sectors, and economies is not visible in project-level reports. Impacts that are easily observed and quantified, such as jobs created by projects, may in some instances be less significant than those that are more difficult to observe and measure, such as the impact of a transparent and predictable policy process in developing countries.

The remainder of this section presents evaluation findings that support these conclusions.

I. IMPACT ON INDIVIDUALS

Evaluation findings show that 102 USAID TCB projects, or 40 percent of those the evaluation examined, had a direct impact on individuals. Of these projects, 62 percent described jobs that had been created, with individual projects reports ranging from a under 2,000 jobs to 20,000 jobs or more. In addition, 19 percent reported that individual or family incomes increased as a result of USAID TCB investments. One USAID-funded project evaluation that described income gains at the family level estimated that for every project participant whose income rose, the welfare of an additional three to six other individuals improved. Another used total earnings of project beneficiaries to estimate the project’s household income as \$171 per month per household supported by direct project beneficiaries.

TRADE CONTRIBUTES TO ECONOMIC GROWTH

Trade and investment are the principal mechanisms through which global market forces – competition, human resource development, technology transfer, and technological innovation – generate growth in developing countries.

*USAID Strategy: Building Trade Capacity in the Developing World
USAID (2003)*

USAID/EGAT uses success stories to put a human face on these statistics by showcasing the stories of individual entrepreneurs, farmer groups, and their families, who have benefitted from exporting. In both 2007 and 2009, it published compendium volumes that offer a human interest perspective on the TCB program’s impact. By definition, USAID/EGAT success stories are not, and should not be considered to be, representative of the TCB portfolio in a statistical sense. That is, they are not a substitute for evaluations or for the monitoring of TCB program effects at the country level, but they are exceptionally useful companions to quantitative data and have a role to play in creating a comprehensive portrait of TCB program impact.

Consistent with this perspective on success stories, USAID/EGAT and mission-level efforts to develop stories on virtually all aspects of the TCB program are highlighted in this section of the report.

At the level of individual beneficiaries, the evaluation also attempted to determine how focused the TCB program had been on women and the poor as distinct sub-groups. Findings in this regard are summarized below.

From a knowledge management and replication perspective, the evaluation team looked at USAID's TCBBoost website to find that success stories were assembled there as a resource for USAID staff. TCBBoost provides "best practice" materials as resources for staff, accessible on the website.

Women

The evaluation found indications in 88 (34 percent) of the 256 projects it reviewed that some effort had been made to focus on women in TCB projects or at least to document their involvement. Projects with a clear focus on women had an average project success rating of 2.741, which is roughly equal to the average for all TCB projects of 2.737.

Examples from three field projects, provided below, illustrate the kinds of results achieved in TCB projects that included a serious focus on women.

In Bolivia, the MAPA: Market Access and Poverty Alleviation helped *women in the region form their own businesses to harvest tea. We contracted these businesses to harvest tea for us. The tea they harvest is of much better quality and consistency than what we get if male farmers harvest their own tea. The problem is that the men will harvest more leaves than they should in order to increase the volume, but it reduces the quality. In some instances, we insisted that we would only buy tea from a farmer if these women harvested the tea. To support these women-harvesting businesses, we built a nursery where their children could be cared for while they were in the fields. The nursery has sanitation and kitchen facilities and is, by far, the most modern building in the community.*



In Pakistan in 2004, USAID initiated the Behind the Veil project *to integrate rural women into more profitable business value chains and increase their household income. This project worked with 213 Sales Agents (SAs) who in turn receive orders on a monthly basis and regularly engage 6,746 Rural Embroiderers (REs), well surpassing project targets. An additional 2,679 REs are engaged on an as-needed basis with total project reach of 9,425 REs. On average, Rural Embroiderers have increased their income by close to 300% as a result of project participation. The Behind the Veil Project has generated substantial interest within the microenterprise development industry. The project has won a number of awards, including the Gender Equality Award from Canadian Manufacturers and Exporters and Canadian International Development Agency (CIDA) and was a main part of the submission for the Alcan Prize for Sustainability 2006 for which it was short listed as a finalist. An important part of the Implementation Grant Program (IGP) is the learning network.*

In Colombia, the USAID ATA project *began working with the Kankuama in 2003 with the goal of assisting them to regain one of the traditional elements of their culture. A group of women in this area were interested in converting their custom of making shoulder bags into a full-scale business. The design and method of production of these bags was based on traditional weaving elements in their culture. And, even though these women had not achieved success in the market to that point, it soon became clear to ATA that the raw material and weaving method had a large amount of potential in the marketplace. So, ATA assembled a pilot group of 100 women, located in 12 of the indigenous Kankuamas villages in the area. Coordination between villages was difficult because of distance, and lack of means of communication, but in an effort to focus on sustainability, ATA started work with the artisans by emphasizing the principles of quality and developing products that align with market trends and expectations. After this initial intervention, interest amongst members of the community grew, and more expressed a desire to become involved. ATA responded by helping the group to develop a business plan, and organize themselves into a formal organization. Once all of the legal measures had been completed, the new association, named Asoarka, began coordinating production between its 191 members in each of their respective houses.*



The evaluation team also noted that USAID’s centrally funded Greater Access to Trade Expansion (GATE) project produced a number of guidance papers and training modules on women and trade for USAID missions. GATE also made short-term assistance available to missions on TCB project design. While MSI reviewed the range of GATE project activities there was not adequate time to review each of the products produced by this project.

The Poor

Through a process parallel to that one used to identify projects with a focus on women, the evaluation team found that in 44 (17 percent) of the 256 projects it examined, project documents identified the poor as their target group or as being represented in the target group. In contrast to projects with a clear focus on women, however, the evaluation team did not find distinct project elements or disaggregated reporting focused on the poor as a group or on poorer segments of a target group. The average project success rating for projects that specifically identified the poor as a focus was 2.761—slightly above the overall project average of 2.737.

With respect to a focus on the poor or the use of pro-poor approaches to TCB project design, the evaluation team noted that the GATE project, described above, had a more distinct pro-poor emphasis. On its website, USAID describes the GATE project’s pro-poor approach to analyzing projects as including several components:

- **Distributional analysis**, which explores the value-added generated along the chain and examines the returns to labor and capital and to the different actors that participate in the chain;
- **Segmentation analysis**, which assesses how the labor market is segmented by sex throughout the value chain;

- **Analysis of power and governance within the chain**, which investigates power within production and exchange relationships across the value chain, including the power to set market prices and bargain, as well as indebtedness and sub-optimal contracting; and,
- **Entitlements and capabilities analysis** considers factors and characteristics that mediate men’s and women’s entitlements to productive resources, and their ability to deploy these resources effectively.



USAID assistance helped people in a poor community in Bosnia find work with an agricultural export firm. Source: USAID.

Where possible, GATE also examines the poverty rates and livelihood strategies of different actors in the chain.

GATE applied this pro-poor analysis to the shrimp industry in Bangladesh and the artichoke industry in Peru. While the evaluation did not find explicitly pro-poor approaches being used in other projects, it did note that USAID projects were cited favorably in a UNDP review of country experience designed to extract pro-poor trade strategy and program lessons.²⁰

2. IMPACT ON INSTITUTIONAL BENEFICIARIES

Projects in the USAID TCB portfolio worked with three types of institutional beneficiaries: producers/exporters, service support organizations, and government agencies.

Producer/Exporters

The first and largest group consists of producers/exporters—or firms and farms—often through farmers’ groups. Producers/exporters were beneficiaries in 80 percent of the USAID TCB projects for which specific institutional beneficiaries could be determined, as the Venn diagram on project beneficiaries in Part One, Section III, Question Section IV. This beneficiary group is associated with private-sector projects that have an RF 2.1 focus. As described greater detail in Part Two of this report members of this beneficiary group have received:

- Training on market opportunities and requirements, as well as basic business skills;
- Technical assistance enabling them to increase their productivity and tailor their products to export markets;
- Participation in trade fairs;
- Access to new web-based resources for advertising their products and responding to orders;
- Recognition by customers for the quality of their products and their responsive export practices;
- Significant returns in the form of export earnings as well as domestic sales of their products.

The sustainability of benefits to these producers/exporters is difficult to discern until after the project has completed, but will largely depend on what producer beneficiaries do with what they learned and whether they continue to employ the improved trade-related practices they adopted during the life of the USAID TCB projects that assisted them.

²⁰ Friis, J. Capacity building for pro-poor trade: learning from the limitations in current models, UNDP (2005) at http://hdr.undp.org/es/informes/mundial/idh2005/trabajos/HDR2005_Jensen_Michael_Friis_15.pdf

Service Support Organizations

Service support organizations that provide trade and business support services to producers/exporters represent the second largest group of USAID TCB program beneficiaries, and were coded as such in 60 percent of the projects that could be associated with specific institutional beneficiaries. Beneficiaries in this group are most closely associated with RF 2.1.1.1, treated in Part Two, Section III of this report.

Of the 116 projects that indicated that local service support organizations were involved, the evaluation was able to find detailed information and results related to these organizations for 62 projects. The evaluation team's breakdown of this group of beneficiaries showed that 42 percent were local business support organizations; 24 percent were industry groups or associations; 10 percent were government export promotion or investment attraction agencies, and 8 percent were local smallholder or producer's organizations or cooperatives. The main benefit provided to these beneficiaries across all projects for which documents provided information was organizational strengthening, reported for 73 percent of projects. Organizational strengthening in these kinds of entities involves improving their skills in providing export firms and would-be exporters with improved business and trade-related skills; diagnosing market opportunities; organizing and attending firms trade fairs; publicizing a country's exports, etc. As with other aspects of this program, USAID has captured individual experience in its success stories.

With the exception of the government export-promotion and investment-attraction organizations included in this beneficiary group, sustainability of TCB efforts is a somewhat greater issue for this group than it is for producer/exporters. Firms in this group have to depend on producer/exporters to pay for their services after USAID assistance ends. Government agencies and some industry associations do not depend on services provided to producer/exporters to survive, but there is also no guarantee that they will continue to apply the approaches and techniques learned when USAID projects served as their mentors and sources of technical assistance on organizational strengthening.

Associations

Associations were involved in USAID TCB projects in several different ways including as service providers, as discussed above.

In a few instances, local exporter or industry associations were the lead USAID implementing partner for a TCB project. The frequency with which this occurred is not known, as documents on projects implemented by local entities were rarely found in USAID's DEC archives. An exception in this regard was a project called ExpoLink implemented by the Egyptian Exporters Association (EEA), on which USAID conducted an evaluation.

Among USAID TCB projects that involved associations in some way, financial sustainability is a primary concern, either with respect to their ability to provide direct services to and advocate for their members, or with respect to their ability to sustain a range of services they provided to producer/exporters under USAID export enhancement projects. While the evaluation did not follow up on all of the associations with which USAID TCB projects worked, internet searches provide illustrative results. For example, two associations involved in USAID-funded export projects the evaluation examined, i.e., the Uganda Flower Exporters Association (UFEA) and the Egyptian Exporters Association (EEA), were still active in 2010, as was the Association of Apparel and Textile Exporters in Bulgaria (AATEB). The Maraba Coffee Grower's Association with which USAID initially worked in Rwanda is now a cooperative and is currently working with a local coffee marketing company with 10 other cooperatives to market Café de Maraba in London.²¹

Government Agencies

In their actual number, government agencies—ranging from ministries of trade to government product certification laboratories and customs administrations—are the smallest group of USAID TCB project

²¹ <http://unionroastedblog.com/tag/maraba-coffee/>

beneficiaries, but this number belies the influence that improvements in these organizations have on trade performance. Beneficiaries in this group are most closely associated with RF 2.2.1.1, which focuses on strengthening public sector institutions; RF 2.3.2, which focuses specifically on the modernization of customs administrations; and on RF 2.3.1.1 which provides training and other skills building assistance related to improvements in customs administrations. As noted in the discussion of service support organizations, government export promotion and investment-attraction agencies are associated with RF 2.1.1.1, but they are also beneficiaries when all government agencies are considered together. In all, government agency beneficiaries were a focus in 38 percent of the USAID TCB projects that could be associated with specific groups of beneficiaries.

As for other groups of beneficiaries, Part Two, Section IV presents project summaries of the kinds of benefits realized by government agencies. Training, on the one hand, is an easily understood benefit, as are improvements in ICT equipment, including automation required by customs administrations, certification laboratories, and other technical agencies. What is challenging to explain, as project reports illustrate, is what exactly constitutes “institutional strengthening.” In some customs administration projects additional staffing, or at least a more rational staffing pattern, was an institutional strengthening result. With respect to laboratories, evidence of improved organizational capacity is evident when services are provided or when developing country labs receive certification from international bodies. Similarly, data presented in earlier sections indicates that the processing of patents and other procedural improvements in government services, including more transparent procurement processes cited in a few projects, all represent institutional improvements.

While these project-specific descriptions help to clarify individual cases, the lack of metrics for characterizing progress on institutional strengthening in trade-related government agencies in a more generic way is nonetheless noticeable. This contrasts, for example, with a systematic approach USAID’s E&E Bureau uses to measure the results of institutional strengthening activities in non-governmental organizations (NGOs) throughout the region, which is used to score stages of maturity on factors ranging from service delivery to fundraising.

3. IMPACT ON SECTORS

Of the three economic sectors the evaluation treated as sub-clusters—agriculture, manufacturing, and the services sector—agriculture was USAID’s *de facto* priority in terms of numbers of projects and TCB obligations. Among projects that focused on only one sector, most focused on agriculture. In addition, agriculture is one of the sectors that receives attention in most projects that focused on more than one sector.

Table 12 uses data from a subset of mission- and regionally funded projects the evaluation team included in an SPSS database that allowed the study team to examine multiple project characteristics simultaneously,

USAID helps African countries build an efficient trade corridor across the Kalahari
Trans-Kalahari Corridor Exemplifies Collaboration
 For 35 years, while the rail transported his Johannesburg-bound cargo along southern Namibia's Atlantic coast to the emerging hub of P. O. Box 100—transport—the largest private center in Harare.
 Having to find a better route, he considered the relatively new Trans-Kalahari Corridor (TIC) his customers indicated that he would save a distance of 450 kilometers if he re-routed his Johannesburg-bound cargo to the TIC, saving \$5,000 per cargo load. In March 2003, he had started routing his cargo via the TIC and he has not looked back since.
 Since 2001, USAID has provided technical assistance and training to establish the public-private Trans-Kalahari Corridor Management Committee (TIC-MCC) based in Windhoek, Namibia. The TIC-MCC coordinates national transport policy, regulations, and procedures along the corridor in order to facilitate trade. On November 3, 2005, the Ministers of Transport of Botswana, Namibia and South Africa signed the TIC Memorandum of Understanding. The agreement formally binds the governments and the private sector to a program that addresses cross-border transport and trade issues such as border management, customs control, traffic regulations and road transport policies. This agreement will be made possible such as to full increase participation in regional trade using the TIC, making their businesses more profitable.

System modernization attracts investors, protects businesses, and increases national revenues
Updating Jordan's Customs Administration
Challenge
 When Jordan joined the World Trade Organization in 2000, updating its customs administration to meet requirements became a top priority. Outdated clearance procedures often delayed routine shipments at borders for weeks, and weak internal controls made the borders vulnerable to illegal goods shipments. Jordan needed a more efficient, internet-enabled customs program capable of handling increased border traffic, while at the same time preventing the entry of prohibited goods.
Initiative
 USAID provided extensive assistance to Jordan's Department of Customs to overhaul its operations. Legal advisors reviewed the national customs code and helped draft amendments to bring it into compliance with World Trade Organization requirements. To improve the department's ability to process goods that cross Jordan's borders, USAID provided support and equipment to install the ASYCUDA system—the most widely used automated customs management program in the world. Customs officers were trained in the new procedures and traveled to the United States in September 2003 on a study tour. Using what was learned on the official visit, Jordan adopted a strategy for further reforms based on the U.S. model.
 "Jordan is now considered a pioneer in customs automation in many ways. USAID... didn't just provide equipment—they were one of our main partners in the process."
 —Marwan Gharaibeh, Director of Planning, Department of Customs

primarily to answer questions addressed in Part One, Section III, Question 3 below. This table shows numbers of USAID TCB projects by both sector and level of USAID TCB obligations. Even without considering USAID investments in combination projects, the number of projects with an agriculture focus is much higher than the number of projects with a focus in the manufacturing or the service sector. If only projects with over \$5 million in TCB obligations are considered, USAID’s investment in agriculture-only projects was at least \$120 million, as compared to \$15 million for manufacturing-only projects and \$5 million for service-sector-only projects. Agriculture’s much higher number of single-focus projects—at 76 versus 17 for manufacturing only and 14 for service sector only projects—tells much the same story.

Table 12. FREQUENCY DISTRIBUTION OF USAID TCB PROJECTS BY SECTOR AND TOTAL TCB OBLIGATIONS (2002-2006).

| Sector Focus | Under \$250,000 | \$250,000 to \$1 million | \$1 million to \$5 million | Over \$5 million | Total Projects |
|-----------------------|-----------------|--------------------------|----------------------------|------------------|----------------|
| Agriculture Only | 10 | 15 | 27 | 24 | 76 |
| Manufacturing Only | 2 | 5 | 7 | 3 | 17 |
| Services Only | 0 | 6 | 7 | 1 | 14 |
| Any Combination | 5 | 9 | 28 | 31 | 73 |
| Total Projects | 17 | 35 | 69 | 59 | 180 |

As noted in other sections of the report, TCB funds were rarely the only funds obligated to projects. Contracts identified as containing TCB activities often had multiple objectives; TCB is not an exclusive budget category, or earmark, in obligating development funds. Data from the evaluation shows that only 30 (17 percent) of the 180 accounted for in the table above were exclusively focused on trade. For a smaller set of projects for which the evaluation team was able to find LOP funding information in project documents, the evaluation created a scale that ranged from less than \$5 million in LOP funding to over \$20 million. Of the 16 projects the evaluation identified as having fitting into the over \$20 million in LOP funding, 12 (75 percent) were projects that focused exclusively on agriculture.

Given higher levels of investments in agriculture, one might predict stronger TCB results in this sector than in manufacturing and the services sector. Testing such a hypothesis, however, is not easy and is virtually impossible using project reports, given the many different ways in which outcomes such as exports are reported, such as by value vs. volume, exports only vs. exports plus domestic sales, or by shipment vs. by year, etc. Country-level data represent one of the few methods available for examining the impact of USAID TCB investments on a sector basis.

To determine whether USAID’s relatively higher level of funding for the agriculture sector as compared to the manufacturing and services sectors, produced stronger results in target countries, the team looked at the number of USAID TCB countries that gained on several key trade



and investment performance measures versus the number that lost ground, and then calculated the percentage that made gains on these measures, as shown in the second column in Table 13. Since gains on export and investment indicators at the country level are affected by many factors, including price trends, a second step was taken to eliminate, to the degree possible, any “all boats rising” effect. To separate out this effect and gain a better sense of how USAID TCB influenced the percentage of countries that improved rather than lost ground on exports, on a sector-specific basis, the evaluation team carried out a parallel analysis for countries that had not received USAID TCB assistance, as described in Part One, Section III.b.3.

Table 13. NUMBERS OF COUNTRIES EXPERIENCING ECONOMY WIDE IMPROVEMENTS

| Trade and Investment Performance Measures | Countries that received USAID TCB Assistance (2002-2006) (N = 87) | Countries that did not receive USAID TCB Assistance (2002-2006) (N = 94) |
|--|--|---|
| Agriculture (2000-2006) | 79% | 59% |
| Manufacturing (SITC 7&8 to OECD, 2002-2006) | 67% | 59% |
| Services (2002-2006) | 95% | 92% |
| Foreign Direct Investment | 75% | 68% |

As Table 13 shows, the proportion of USAID TCB-assisted countries that realized gains in agriculture sector exports was higher the corresponding proportion of unassisted countries by 20 percentage points. The difference for foreign direct investment was seven percentage points, again favoring USAID TCB-assisted countries. While imperfect, and not directly the equivalent of a tally of project specific export gains, Table 13 does suggest that USAID’s higher level of TCB investments in the agriculture sector correlates with a proportionately higher likelihood of countries making gains in that sector.

Looking beyond agriculture, project-level data suggest that USAID tourism projects and tourism elements in TCB combination projects at the start of the decade may have been influential in the development of this sector, particularly in Eastern Europe. In this sector, it appears that entities involved in tourism shared information and new projects built on past experience.

USAID’s investment in tourism in Croatia, for example, may have functioned as “seed money” that created interest and drew investment to this field. According to Euromonitor International, the “tourism sector contributed to almost 20 percent of GDP in 2005 and grew faster than GDP in several previous years.” At that time, Euromonitor International predicted arrivals to Croatia could grow by 42 percent between 2005 and 2010.

Of the three sectors, USAID dedicated the fewest projects and seemingly the fewest resources to manufacturing. The number of USAID TCB assisted countries making export gains with SITC 7 & 8 manufactures relative to non-assisted countries was modest and not always easily linked to economy-wide export gains as shown in Table 13. There were several results in the manufacturing sector that project reports identified—for example, surgical instrument exports from Pakistan and furniture from Mexico shipped to Ikea’s headquarters—as well as highlights from USAID success stories that point to specific instances where USAID TCB investments in manufacturing yielded impressive results. There are simply fewer results in this sector than within the agricultural sector, and where these results have emerged, export gains from manufacturing do not appear to be significant enough to represent a structural shift within the manufacturing sector or between sectors.

USAID INTRODUCES QUALITY MARK INTERNATIONAL QUALITY STANDARDS FOR THE TOURISM INDUSTRY

TIRANA, FEBRUARY 18, 2010

USAID announced today that it will support the establishment of an international rating system for accommodation facilities in Albania. The Quality Mark Program is based on the model pioneered and supported by USAID in Croatia and Bulgaria, and which will soon begin in Macedonia. It is a unique rating system that provides information on smaller hotels and other facilities offering a category of lodging described as “authentic tourism”. This emerging and rapidly growing market segment aims to offer a more personalized experience to the traveler that emphasizes local culture, environment, food, crafts and outdoor experiences. It incorporates the Global Sustainable Tourism Criteria that is an international initiative to promote effective sustainable planning, maximize social and economic benefits to local communities, enhance cultural heritage, and avoid negative environmental impact of tourism development.

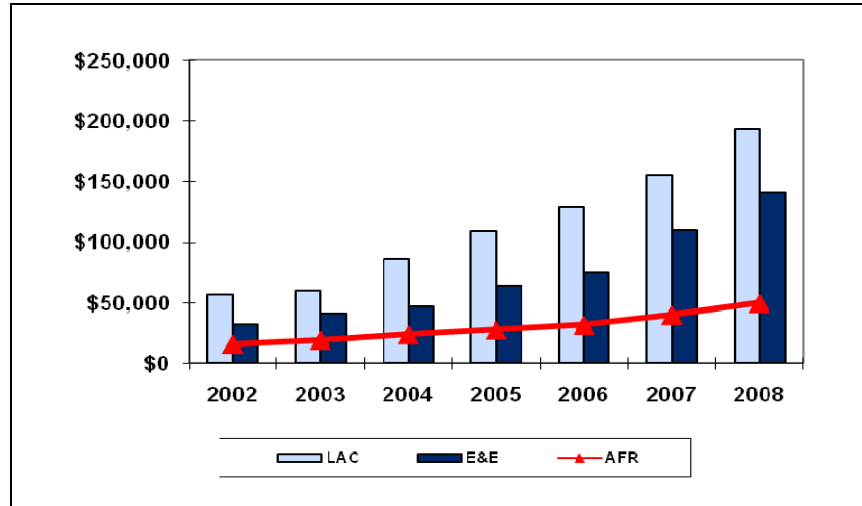
4. IMPACT AT THE LEVEL OF AN ECONOMY

At the level of developing country economies, investments in trade capacity building are intended to yield greater integration of these economies into the multilateral trade system and world markets, in turn resulting in increased and more diversified developing country exports as well as import and investment benefits. This section looks at each of these three intended results.

a. Integration into the Multilateral Trade System

Since the start of the Doha Development Round, seven countries have become members of the WTO, and evidence from the evaluation shows that USAID TCB projects contributed to this achievement in all of these countries. Information from six of these projects is highlighted in the discussion of RF 2.2 results in Part Two, Section IV. As that section showed, another nineteen countries that are either in the process of accession or became members shortly before the start of the Doha Round also received assistance from USAID. In addition to this expansion of the WTO, regional and bilateral trade agreements also advanced over this period. USAID TCB assistance has helped developing countries enter into trade agreements with developed country partners, i.e., with the U.S. in some instances and with the EU in others. Assistance has also been provided to countries. Elsewhere, USAID TCB projects have been used to foster regional trade. In Africa, for example, USAID’s “trade hub” projects fostered regional trade and enhanced African countries’ access to the U.S. market under AGOA. As Figure 13 below shows, regional trade expanded significantly in all regions over the past decade.

FIGURE 13. TRENDS IN INTRA-REGIONAL TRADE IN SELECTED USAID REGIONS (2002-2008)

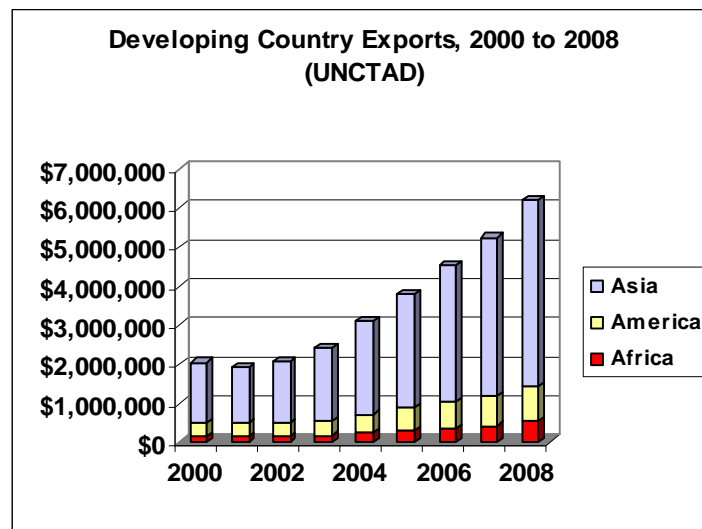


Source: UNCTAD

b. Export, Import, and Investment Gains

With the start of a post-recession recovery in 2002 through 2008, developing country exports and imports both increased, as Figure 14 illustrates. Evidence from USAID TCB projects and from the evaluation’s regression analysis, discussed above under RF 1.1 results, shows that USAID TCB funding is associated with significant gains in export earnings in developing countries. Neither project data nor regression findings, however, showed a strong direct link between USAID funding for TCB and developing country imports over this period. Indirectly, however, USAID projects that focused on trade agreements and their implementation, including tariff reductions, may well have spurred two-way trade the evaluation did not detect.

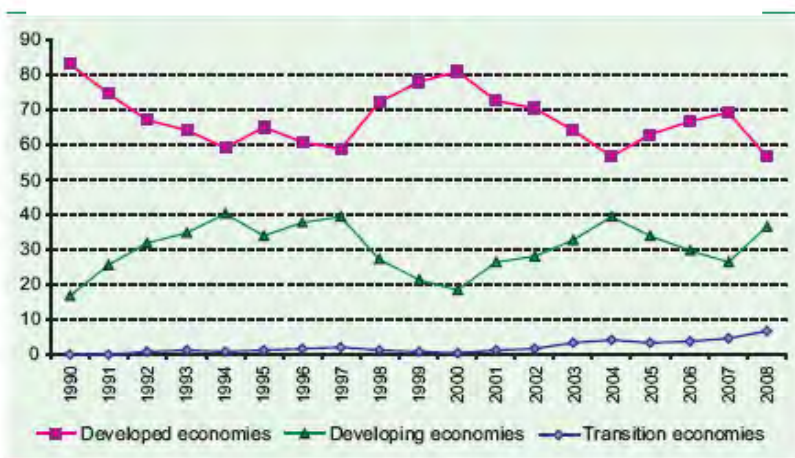
FIGURE 14. DEVELOPING COUNTRY EXPORTS AND IMPORTS, 2002-2008 (UNCTAD)



Foreign direct investment in developing countries also increased in most years between 2002 and 2008, as Figure 15 from the 2009 UNCTAD World Investment Report shows. The evaluation team did not, however, find a strong linkage between USAID TCB projects and FDI gains. In a few instances projects reported on

investment results, some of which came from international sources, but results of this sort were far outstripped by project reports of export gains. As with rising imports documented for developing countries over this period, higher levels of FDI may have been influenced by new and strengthened trade agreements as well as by efforts made by countries to improve their domestic economic and business policy environment, which were sometimes supported by USAID projects that were not included in the USAID TCB project the evaluation examined.

FIGURE 15. SHARES OF THE THREE MAJOR GROUPS OF ECONOMIES IN GLOBAL FDI INFLOWS, 1990-2008
(Percent)



Source: UNCTAD FDI/TNC database (www.unctad.org/fdistatistics) and UNCTAD secretariat estimates.

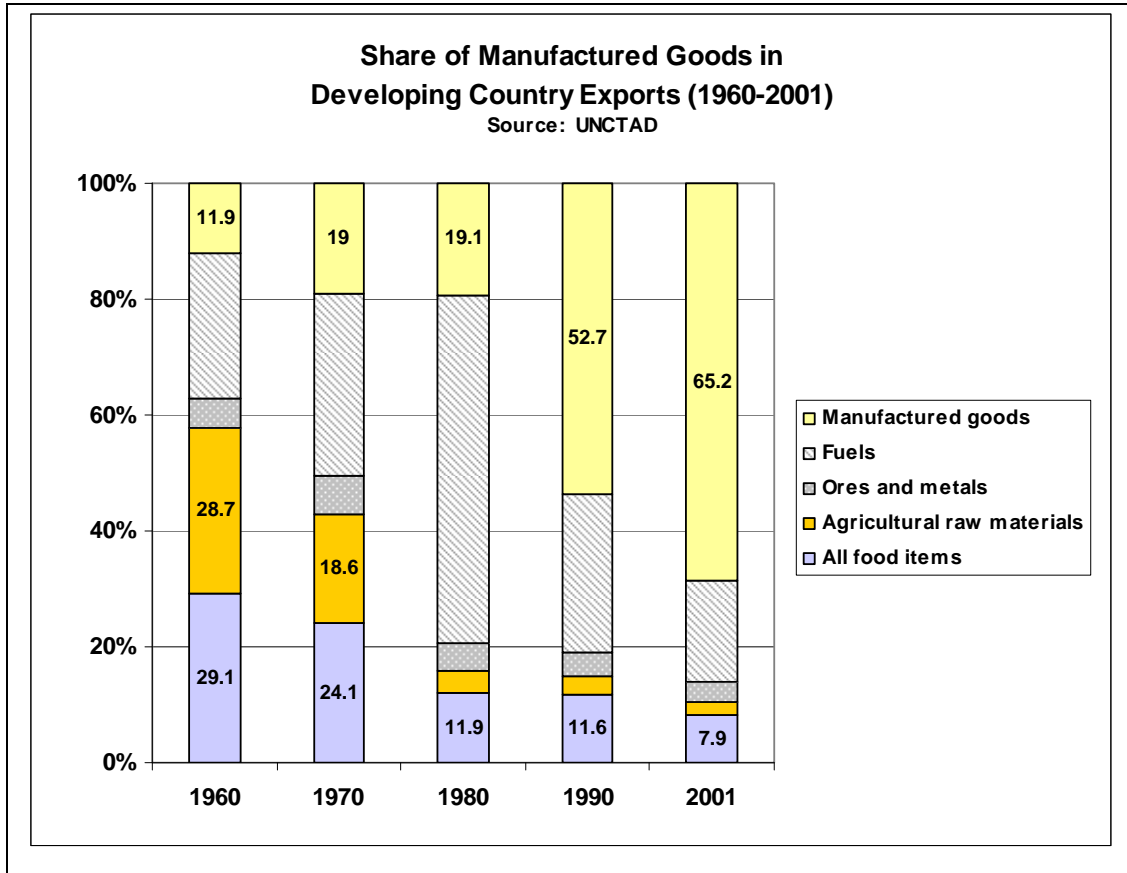
c. Export Diversification

Export diversification is generally viewed as an appropriate objective for developing countries given the inherent vulnerability stemming from a reliance on a narrow range of exports, and particularly those exports with a history of fluctuating prices. The appropriateness of export diversification as a focus of trade capacity building is embedded in the Doha Ministerial Declaration: *integration of the LDCs into the multilateral trading system requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building.* In its 2003 trade capacity building strategy paper, USAID also emphasized this point, stating that *the quality of trade can be measured by increasing diversification of a developing country's production and consumption of traded goods and services, both for products and for markets and sources.*

(1) Historical Trends and New Models

In the fifty years since USAID began assisting developing countries, their exports, on the whole, demonstrate a strong diversification trend, along with overall export growth. The net effect (as shown by Figure 16) is that, when all developing countries are considered, the share of exports from manufacturing exceed those from unprocessed agricultural products.

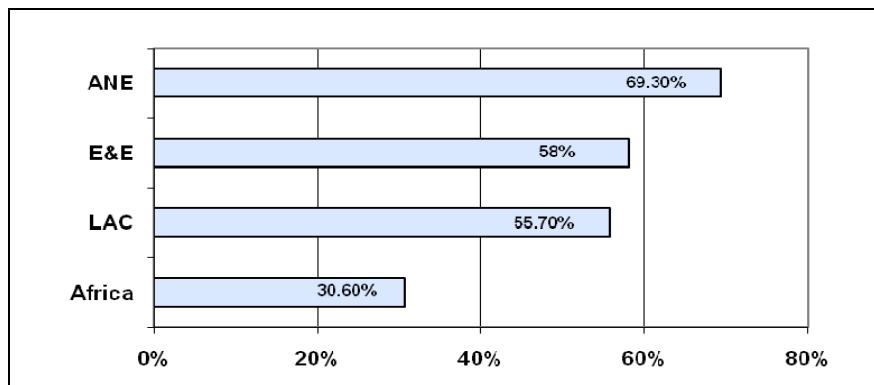
FIGURE 16. SHARE OF MANUFACTURED GOODS IN DEVELOPING COUNTRIES EXPORTS (1960-2001)



Source: UNCTAD, 2004

Net diversification in the direction of manufactures was not, however, equal across regions. At the start of the Doha Round of WTO negotiations, the various regions in which USAID works had very different profiles with respect to manufactured exports, as Figure 17 indicates.

FIGURE 17. SHARE OF MANUFACTURED EXPORTS IN 2000 BY USAID REGIONS



Source: UNCTAD

Studies that examine the relationship between economic growth and export diversification have failed to provide conclusive evidence of a direct linkage between them; country-level studies are more likely to show strong relationships between these indicators than are larger cross-country studies. At the same time, country-

specific evidence—largely from Asia which, as a region, has pulled ahead of other developing regions—continues to suggest that export diversification not only helps developing countries guard against external shocks, it also fosters growth more broadly. In its 2004 edition of *Global Economic Prospects* (published at the mid-point in the evaluation study period), the World Bank examined export performance across countries, finding that, for 43 “export-contracting” countries it identified as poor performers, their performance was “attributable to combinations of excessive dependence on one or two primary products, civil conflict, and politically motivated trade embargos—often complicated by inept governance.”²²

This same report also highlighted important differences in export growth rates for different types of developing country exports. Growth in exports of raw primary products was low, at two percent per year globally as compared to processed agricultural products, which grew at two percent annually on a global basis, and at seven percent for low-income countries, excluding China and India. In contrast, the World Bank reported that the export growth rate for low-technology manufactures was 14 percent per year (for textiles) and 16 percent for other products at the low-technology end of manufacturing. Medium-technology exports, e.g., automobile parts, were growing at 22 percent per annum, the report showed, and engineering products from developing countries—for example, pumps and instruments—were growing at 21 percent. At the higher end of this export spectrum, the Bank’s report suggested, export earnings from developing countries that focused on such products would tend to double rapidly.²³

In addition to examining developing country export diversification and its impact on exports and economic growth more generally, research over the last decade has focused on how countries that successfully diversify their exports accomplish that feat. Some export models differentiate between export gains realized by from sales of products they already export to new market or from the sale of products they have not exported before either to countries to which they already sell other products or to markets in which they have not previously made sales. Any of these three conditions, all of which involve a new element, involves sales on what is called the *extensive margin of trade*. In contrast, sales of existing products to traditional markets are called exports along the *intensive margin of trade*.

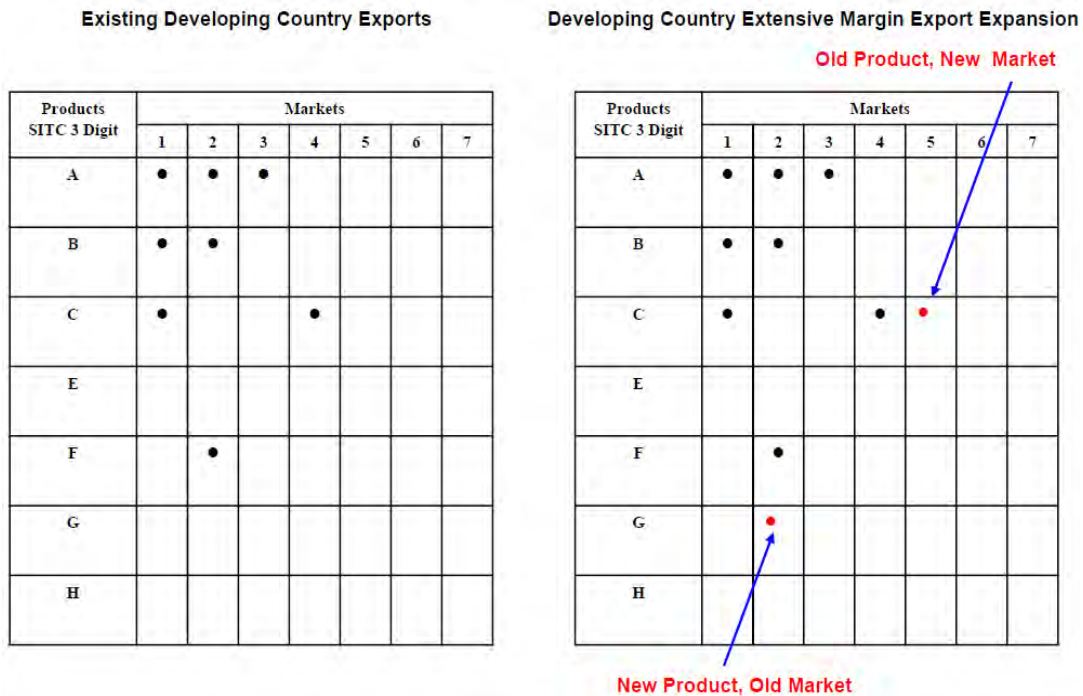
Empirical studies using these distinctions, including Amurgo-Pacheco and Pierola (2008), show that most of the growth in developing country exports comes from the sale of old products to an existing destination, along the intensive margin of trade. This literature, drawing on Baldwin (2007), also shows that the mix of products and markets that comprises nearly any country’s export portfolio tends to be incomplete, when laid out on a matrix that includes all possible export markets and all possible products as illustrated in Figure 18 below. Blanks on such a matrix are called “zeros” and a number of recently published articles have focused on what it takes to begin to “fill in the zeros” in a country’s export matrix. Figure 18 illustrates typical new product and new market discussions in this regard. Filling in the zeros, some suggest, is more easily accomplished by finding new markets rather than by exporting new products, though others contend that existing markets are often easier to penetrate than new ones.



²² World Bank, *Global Economic Prospects* 2004, p. 69.

²³ *Ibid*, pp. 66-68.

FIGURE 18. EXPORT DIVERSIFICATION INVOLVES FILLING IN THE BLANKS (“ZEROS”)



(2) Export Diversification Findings for the Evaluation Study Period

As discussed above in relation to RF 1.1 findings, the evaluation found a significant relationship between USAID TCB projects and export growth, on average, in countries that received USAID TCB assistance. It also found that not all of the countries USAID assisted had experienced strong export growth. Some countries that received high levels of USAID TCB assistance had strong export gains, while others did not, with trade agreements as well as improvements in “doing business” indicators contributing to the difference between high and low export performers. A wide range with respect to export performance was also noted for countries that received low levels of TCB assistance, with export progress in countries in this group often being linked to a specific commodity for which prices had risen dramatically. During the study period for example, agricultural commodity prices rose sharply, but prices for manufactured products did not. Moving beyond these core findings to better understand the role of export diversification in these economies, the evaluation sorted 87 of the countries to which USAID provided assistance into three categories on a number of international indicators for the period 2002-2006. Countries were rated on these indicators as having improved over that period, stayed the same, or lost ground, as Table 14 shows.

What this table shows that is not visible when looking at project level results, or even the findings of the evaluation’s regression analysis and examination of alternative possible causes of export gains in Part One, Section III, Question 1 is that export diversification declined in as many USAID TCB target countries as it improved on this factor. A nearly equal number of USAID beneficiaries became more rather than less export-concentrated. In addition, some TCB target countries lost ground on exports, particularly manufactured exports. A good number also lost ground in terms of foreign direct investment.

More countries gained than lost on most measures, but on export diversification, those that lost ground were in the majority and the numbers that gained or lost on an export concentration measure were equally divided. As indicated by the discussion of Bolivia’s experience (found in Part One, Section III, Question 1 in its

examination of critical assumptions), shifts in the export concentration status of countries are not necessarily a function of a country's ability to market new products or make sales in countries to which it has not previously exported. Export concentration can rise even when diversification is occurring, as occurred when Bolivia's exports of extractives far exceeded its exports of new non-traditional products. A country's export diversification status, on the other hand, is more directly a function of its ability to develop and sell new products in either old or new markets.

Table 14. CHANGES IN ECONOMY-WIDE TRADE AND INVESTMENT INDICATORS IN 87 USAID-ASSISTED COUNTRIES (2002-2006)

| Trade-Related, Economy-Level Measures | | Change in Status of Countries that Received USAID TCB Assistance Between 2002 and 2006 (N = 130) | | |
|---------------------------------------|-----------|--|-----------|----------|
| Indicator | Years | Improved | No Change | Declined |
| Merchandise Exports | 2002-2007 | 64 | 0 | 6 |
| Agricultural Exports | 2000-2006 | 61 | 0 | 16 |
| SITC 7&8 to OECD | 2000-2006 | 51 | 0 | 25 |
| Service Sector Exports | 2002-2006 | 60 | 0 | 3 |
| Export Concentration | 2002-2005 | 32 | 1 | 31 |
| Export Diversification | 2002-2005 | 25 | 5 | 33 |
| Foreign Direct Investment | 2000-2006 | 45 | 1 | 15 |
| FDI as a Percent of GDP | 2000-2006 | 35 | 1 | 18 |

A key indicator in this regard is an UNCTAD measure of the number of different products countries export, at the SITC three-digit level. Calculated on this basis, the number of new products that countries export does not tend to rise rapidly. Table 15 shows, on a regional basis, the number of products exported during two portions of the evaluation study period and the change in exports by region between those two periods. Notably, the region with the largest increase in numbers of export products over this period was Africa, followed by East Asia and USAID's E&E region.

Table 15. CHANGE IN THE AVERAGE NUMBER OF SITC 3-DIGIT PRODUCTS EXPORTED BY REGION (2002-2009)

| Average by Geographic and USAID Region | Number of SITC 3-digit Products Exported 2002-2004 | Number of SITC 3-digit Products Exported 2006-2009 | Change in the Number of Products Exported |
|--|--|--|---|
| Sub-Saharan Africa (AFR) | 87.13 | 186.4 | 99.3 |
| LAC | 142.8 | 206.4 | 63.6 |
| East Asia – Pacific (ANE) | 125.3 | 217.4 | 92.1 |
| South Asia (ANE) | 131.8 | 169.6 | 37.8 |
| Europe & Eurasia (E&E) | 186.3 | 263.9 | 77.6 |

In its regression analysis, the evaluation used the UNCTAD measure for number of export products as an outcome indicator for USAID TCB funds dedicated to RF 2.1, *Improvements in Private Sector Trade Related Practices*, where projects that focus on exports are clustered. The regression found a positive and statistically significant relationship between USAID TCB funds for RF 2.1 and this UNCTAD measure, indicating that where it focuses on exports, USAID TCB assistance is fostering export diversification.

The evaluation team also made an effort to compare these statistical conclusions with project-level findings. At this level, data from project documents show that, while some of the products USAID TCB projects are exporting are new or involve sales of existing products to new markets (along the extensive of margin of trade), projects more often increased country exports of existing products to their traditional markets (along the intensive margin of trade). This finding is consistent with the cross-country findings of Amurgo-Pacheco, cited above. Table 16 below categorizes information from USAID TCB projects on a new/existing product/market basis.

Table 16. NEW AND EXISTING PRODUCT/MARKET EXPORTS

| | Projects that Reported on Exports of New Products or Exports to New Markets | Projects that Reported on Exports of Existing Products and Exports to Existing Markets |
|----------|--|---|
| Products | 15 | 75 |
| Markets | 34 | 49 |

(3) USAID Project-Level Reporting On New Export Products

In the team’s examination of USAID project documents for information on new products and new markets, it became apparent that projects often lack standards on what they define as a “new product.” This made the above analysis difficult for the evaluation team and would make aggregation on this important export diversification variable difficult for USAID, should the Agency decide to track “new export products” as a performance measure across projects from different regions.

In reviewing project documents for information on exports, the evaluation team kept track of reports about new products that had been exported with USAID TCB assistance, as well as new markets that had been penetrated. In so doing, it noted that projects varied considerably in terms of their definitions of both “product” and “market,” and on the numbers of new products they reported (for example, 76 new products, 600 new product lines, 779 new products); for many projects, any new item was considered to be a new product. A detailed review of projects that reported exceptionally high numbers of new products showed that these reports tended to come from projects that included a focus on handicrafts. Information on the HACER project in Peru was particularly useful for understanding reports of large numbers of new products. In that project, consultants worked with artisans, and after each trip reported on new products or product lines that had been developed. What these trip reports revealed was that the term “product” or “product line” often alluded to slight variations in existing products. For example:

- *As a result of one consultant visit, the HACER project reported that 3 of the 76 new products in counted as its total had emerged, including floral products made of cornhusk, e.g., wreaths, swags and various gift items.*
- *As the result of another consultant’s visit to assist Lencan pottery makers, the project reported 25 new products.*

In both of these instances the term “product” was being used to describe a new item, but the distinctions among this and previous products were slight. In contrast, the World Trade Indicators Report, which tracks new products from developing countries, counts an export as a new product only when it falls into a United Nations Standard International Trade Classification (SITC) product group at the three-digit level.

TCB projects use the terms “new product” or “new market” to indicate where change is occurring. If, however, USAID wished to monitor export diversification through TCB projects, common terminology would need to be used across projects, with SITC codes being perhaps the easiest choice with respect to “new products”; that is, projects would simply need to look up the SITC numbers for the products they export and include them in quarterly and final reports (for example, of jewelry of gold, silver, or platinum (SITC [897.3](#)), as has been done in this report). Data reported on this basis, as well as in the detailed manner projects now use, could then be easily aggregated by USAID across countries, or used within a specific

country, to determine what percentage of national exports in that SITC code were coming from USAID projects. Similarly, as the hypothetical situation in Figure 19 below shows, project data tracked using SITC codes could be linked in a Baldwin-type matrix to illustrate where projects penetrated new country markets with existing or new export product.

FIGURE 19. EXTENSIVE MARGIN EXPORTING EXPANSION UNDER USAID TCB PROJECTS

| Products SITC 3 Digit Codes | U.S | Canada | U.K | France | UAE | Japan | China | India |
|---|-----|------------------------|-------------------------------|--------|-----|------------------------|--------------------|-------|
| 05 - Vegetables and fruit | | | | | | | | |
| 054 - Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried | | | | | ● | | | |
| 056 - Vegetables, roots and tubers, prepared or preserved, n.e.s. | | | | | | | Afghan Fresh Fruit | |
| 057 - Fruit and nuts (not including oil nuts), fresh or dried | | Serbia Raspberry Juice | | | | | | |
| 058 - Fruit, preserved, and fruit preparations (excluding fruit juices) | | | | | | | | |
| 059 - Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter | ● | | | | | | | |
| 64 - Paper, paperboard and articles of paper pulp, of paper or of paperboard | | | | | | | | |
| 641 - Paper and paperboard | | | | | | Afghan Cardboard Boxes | | |
| 642 - Paper and paperboard, cut to size or shape, and articles of paper or paperboard | | | | | | | | ● |
| 87 - Professional, scientific and controlling instruments and apparatus, n.e.s. | | | | | | | | |
| 871 - Optical instruments and apparatus, n.e.s. | | | | | | | | |
| 872 - Instruments and appliances, n.e.s., for medical, surgical, dental or veterinary purposes | | | ● | | | | | |
| 873 - Meters and counters, n.e.s. | | | Pakistan surgical instruments | | | | | |
| 874 - Measuring, checking, analysing and controlling instruments and apparatus, n.e.s. | | | | | | | | |

QUESTION 3: WHICH ACTIVITIES HAVE BEEN MORE SUCCESSFUL THAN OTHERS IN ACHIEVING THEIR OBJECTIVES AND WHAT WERE THE PRIMARY FACTORS FOR THEIR RELATIVE SUCCESS?

This section addresses USAID's question about whether and to what degree USAID TCB projects achieved the results they are designed to achieve. To answer these questions the evaluation adapted an existing USAID system for rating progress on program performance indicators. The section also presents the findings of a content analysis of project documents on the perceived keys and barriers to project success. It begins by presenting the conclusion reached based on findings generated using these methods

Conclusions:

- USAID TCB projects reported on achievements at the outcome as well as the output level, though not necessarily against predefined performance targets.
- Where performance targets were present, TCB projects generally achieved all or most of the targets established: no more than 10 percent of projects appear to have had faced significant problems in this regard. Some TCB projects were negatively affected by start-up problems and problems with partner organizations that are typical of development projects in all sectors.

The remainder of this section presents evaluation findings that support these conclusions.

I. THE EVALUATION'S METRIC FOR RATING PROJECT SUCCESS

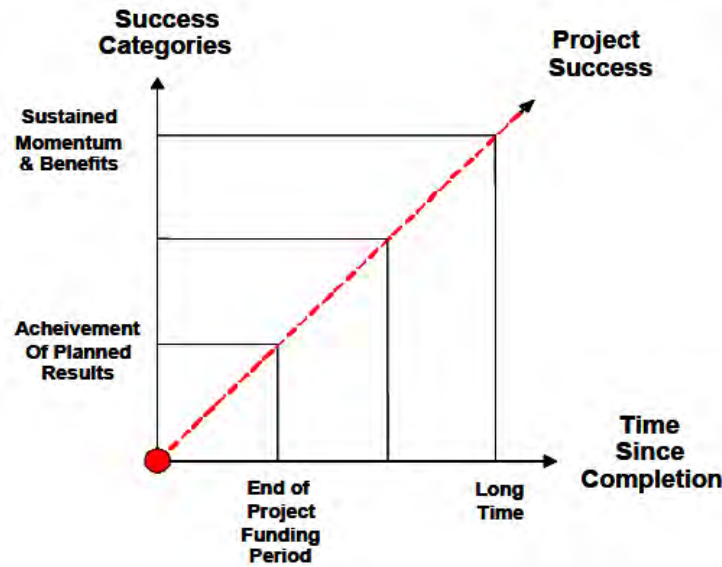
In order to answer the evaluation question on which this section focuses, the evaluation team needed a way to compare USAID TCB project performance to expectations and, beyond that, to compare projects to one another on a common scale for success. The first step in developing such a method was to decide how to define project success, since success in development assistance projects can be understood in various ways depending on whether one takes a short- or long-term perspective, focuses on specific or all possible results, or examines a limited target area rather than national impact, as Figure 20 illustrates.²⁴

Given that project documents were to be the primary data source for Phase II of this evaluation, the definition of success selected was that most closely aligned with the information available in contemporaneous documents, i.e., information about the *achievement of planned results* not later than the *end of the project funding period*.

In order to determine the progress of each of over 200 projects examined by the evaluation in achieving their planned results, the team needed a system for scoring individual projects. Additionally, in order to aggregate scores across projects to make comparisons among various clusters and groups of projects, any scoring system used had to have a quantitative dimension. For this purpose, the evaluation team turned to a scoring system already employed by USAID in grading itself with respect to the achievement of targets it sets at the program level. USAID's system, which is used both internally and to report to Congress on USAID's

²⁴ After Aaron J. Shenhar, James J. Renier and R. Max Wideman in "Creating Canadian Advantage through Project Management," a paper presented to the Southern Alberta Chapter, Project Management Institute, Symposium Calgary, May 1996 <http://www.maxwideman.com/papers/improvingpm/dimensions.htm>

FIGURE 20. PERSPECTIVES ON PROJECT SUCCESS



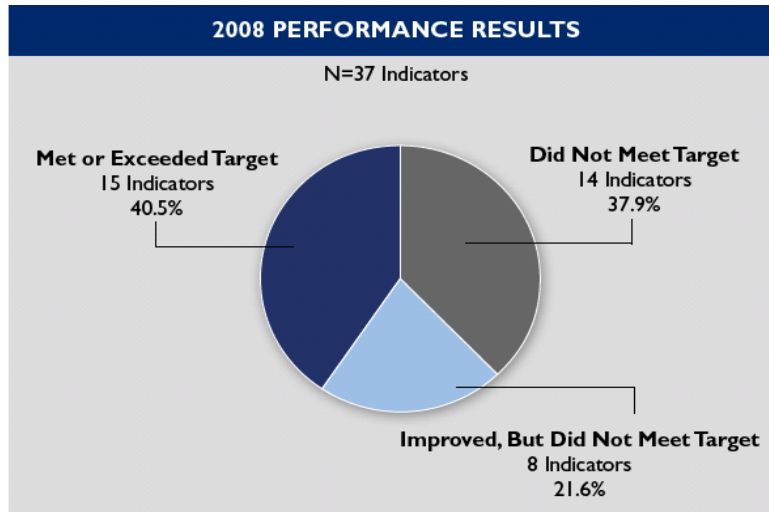
performance in Annual Performance Reports, grades achievement on a simple three-option scale, where the highest rating is *met/exceeded target*, second best is *improved but did not meet target*, and the lowest rating is *did not meet target*. This three-point scale was easily converted to a quantitative form with 1 representing the lowest rating, *did not meet target*, and 3 representing the highest rating, *met/exceeded target*.

When USAID uses this system, it generally focuses on specific performance indicators associated with various levels of a Results Framework. For its annual performance report to Congress, for example, USAID counts the number of countries achieving a specific rating. For FY 2008, USAID also reported Agency performance on the percentage basis based on country reporting against a set of 37 performance indicators, as shown in Figure 21 below.

For the evaluation, the team used a variant of this approach. Each project the team examined had one or more stated results. For those that also reported on actual performance, it was possible to make a comparison at each level where both intent and actual performance were known, using USAID’s TCB three-point rating scale. While some projects might have only one intent-actual results pair that could be scored, other projects might have stated their intent at several RF levels, e.g., ministry strengthened, trade agreement signed, implementing regulations in place. If the project also presented evidence of results at all these levels, it would end up with three ratings. To arrive at an overall project success rating, the evaluation team averaged all of the intent-actual results pair ratings given to an individual project.²⁵ This allowed projects to end up with overall project success scores between the three basic rating points, i.e., a project that met/exceeded two of the results on which it focused and improved but did not meet the third would end up with an overall project success score of 2.66.

²⁵ An example of this procedure is provided in Annex C.

FIGURE 21. USAID FY 2008 AGGREGATION OF PERFORMANCE RATINGS ACROSS INDICATORS

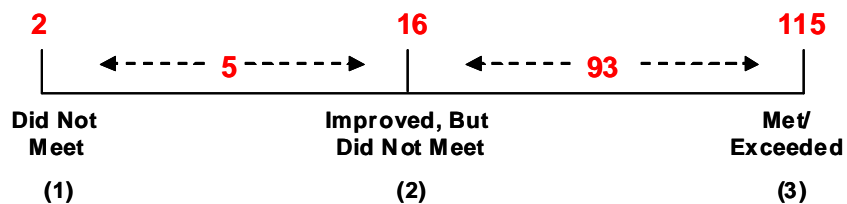


Source: USAID

The evaluation team used this approach to score 231 projects for which intent at one or more results levels was stated and evidence as to actual achievements was provided. For 45 of these projects where specific targets as well as intent were identified, the team rated projects against target levels. For the remaining 186, the team had to assign performance ratings in the absence of specific targets. All 186 of the projects that were rated without the benefit of specific targets were scored by a single individual, to avoid inter-rater reliability problems. The average project success scores for the 45 project which were rated against specific targets was then compared to the average score for the 186 projects scored in the absence of targets. The average scores by these two approaches were and 2.828 and 2.729, respectively, meaning that those scored against targets did slightly better than those scored without the benefit of specific targets. While the two sets of scores differed slightly, the team accepted the two different methods as producing reasonably comparable project success ratings. Projects that had been given success ratings were then combined into a single group which was then analyzed to determine which types of projects scored well and which performed less well on this success scoring system. The resulting overall average for 231 projects was thus 2.737, meaning that many USAID TCB projects scored somewhere between *improved, but did not meet targets* and *met/exceeded targets*.

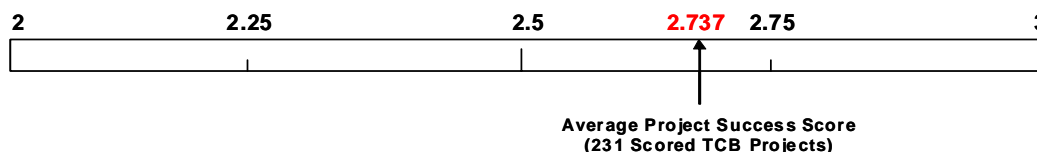
Figure 22 shows this success range. Note that the average success score is highlighted in red to indicate where on the range it falls in this figure, which is roughly three-fourths of the way to the top possible score. In other figures later in this section, the all project average is shown as it is displayed in the figure below. In later graphics it serves a guide for comparing score for groups of projects by region, results cluster, etc., to this overall average.

FIGURE 22. AVERAGE PROJECT SUCCESS SCORE FOR 231 TCB PROJECTS FOR WHICH INTENT AND RESULTS COULD BE COMPARED



To better understand the scores TCB projects received, Figure 23 below displays the frequency with which projects scored a perfect 3, 2, 1, or fell between those scores.

FIGURE 23. NUMBER OF TCB PROJECTS SCORING AT EACH INTERVAL OR IN BETWEEN



As this distribution indicates, 115 (50 percent) of the 231 TCB projects the evaluation scored met or exceeded their targets. At the other end of the scale, there were very few projects that scored less than two. Given this distribution, it is not surprising that groups of projects discussed later in this section have group averages that are always greater than two.

MSI grouped projects back into the three main ratings in order to roughly compare USAID TCB projects to USAID’s TCB ratings for the FY 2008 shown in Figure 21. This step, which involved rounding project scores to whole numbers, yielded the distribution on Table 17. This table and Figure 24 exclude projects that ended in 2009 or beyond, as those projects might not have reported on their life of project achievements by the time the evaluation team reviewed documents to assign these scores. This reduces number of projects represented in Table 17 and Figure 24 to 173.

Table 17. RATINGS FOR COMPLETED PROJECTS ACROSS ALL INTENDED RESULTS

| | Met/Exceeded Targets/Intent (3) | Improved, but Did Not Meet Targets/Intent (2.0 – 2.99) | Did not Meet Targets/Intent (1.0 – 1.99) |
|---------------------|--|---|---|
| Number of Projects | 87 | 81 | 5 |
| Percent of Projects | 50.29% | 46.82% | 2.89% |

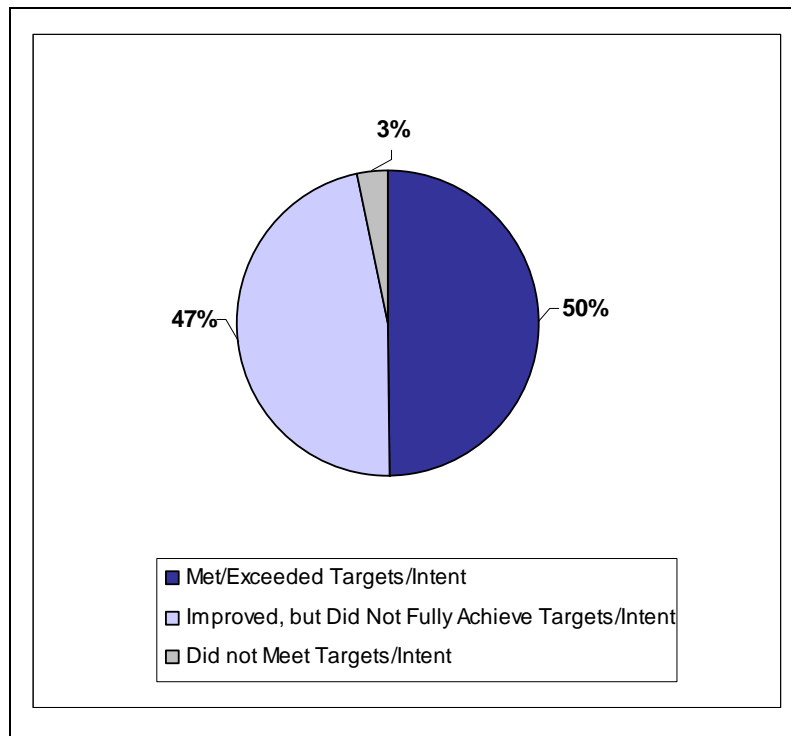
This distribution is displayed graphically in Figure 24, which shows that on approximately the same basis, USAID TCB projects, overall, rated in percentage terms somewhat higher than the Agency’s overall rating of its performance.

Projects that did not score as being fully successful often achieved a number of their objectives but missed their targets on others. Even then, however, projects may have made considerable progress. For example:

- A project in Latin America reported that it produced 65,765 full-time equivalent jobs, but fell short of its target of 68,000.
- In Africa, a project reported that its target for revenue increases in assisted firms had been \$3,600,000. Its actual performance level on this results measure was \$3,497,461, or 97 percent of its target. The revenue shortfall was \$102,539.

If projects like these fully achieved three other targets and missed only one target, their overall project score would have been 2.75. This is very close to the all project average score of 2.7.37 reported for the set of TCB projects to which the evaluation applied this scoring system. As the strong performance, but short-of-target examples above suggest, projects that scored at or above the all project average would by most standards be

FIGURE 24. PERCENTAGE OF COMPLETED USAID TCB PROJECTS BY SUCCESS RATING
(n = 173)

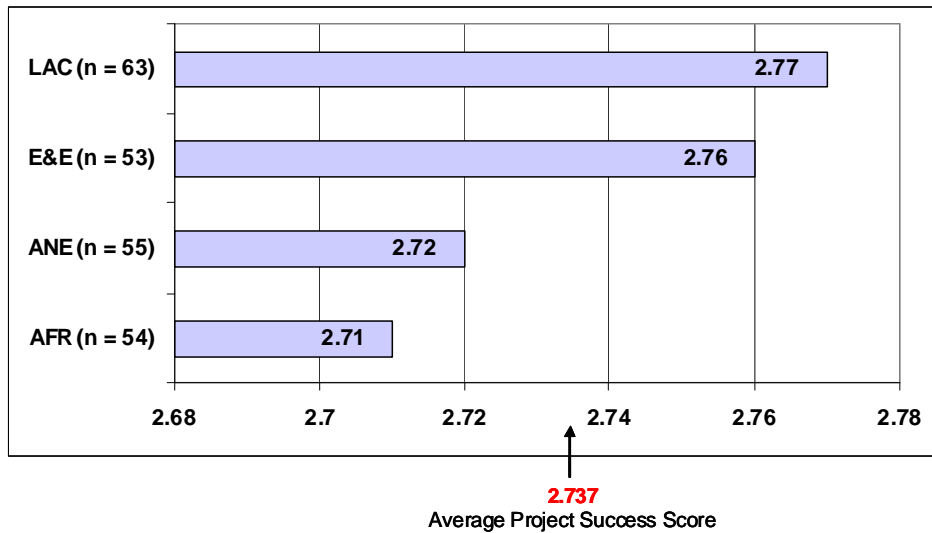


considered to have done quite well against objectives and target established for them. Of greater concern are projects that fell well below the all-project average, receiving scores of 2 or below. As the figure below above illustrate, 23 (10 percent) of the projects the evaluation scored for success fell in this range. Projects in the bottom 10 percent on the success score measure often had significant problems. For example:

- In one project a USAID Audit found that the project had not met its jobs and income targets for the component of the project the audit examined. This could have given the project a rating of *improved but did not meet target*, but the Audit also found that project grantees could not substantiate the numbers of jobs and income increases they did report. The mission basically agreed with the audit. MSI scored this project as 1, *did not meet targets*.
- For another, an evaluation reported that the project was significantly behind schedule, having experienced a 47 percent reduction in its budget and a change in the contractor’s chief of party. The evaluation also found that some choices the project had made about who to assist had them working with very small target groups, which might not be justified. The evaluation did not say there were no results, only that the full set of results initially intended could be delivered under the circumstances.

The evaluation scored between 55 and 65 TCB projects from each of USAID’s TCB geographic bureaus on this success measure. Scores varied somewhat by region, but these differences were not statistically significant. Figure 25 shows the average project success scores by region. Projects from LAC and ANE scored slightly above the average for all projects, while those from ANE and AFR scored slightly below. In addition to these regional projects, MSI scored 12 globally administered projects. The average success score for these 12 projects was 2.64.

FIGURE 25. AVERAGE PROJECTS SUCCESS SCORES BY USAID REGION



On an RF cluster basis, those projects which involved combinations of RF clusters, as well as small number that involved only RF 2.3, had scores above the average for all projects, while those that focused only on RF 2.2 or only on RF 2.1 results scored somewhat below the average, as Figure 26 shows. Figure 27 shows the average scores for every segment of the Results Framework.

FIGURE 26. AVERAGE PROJECTS SUCCESS SCORES BY RESULTS FRAMEWORK CLUSTER

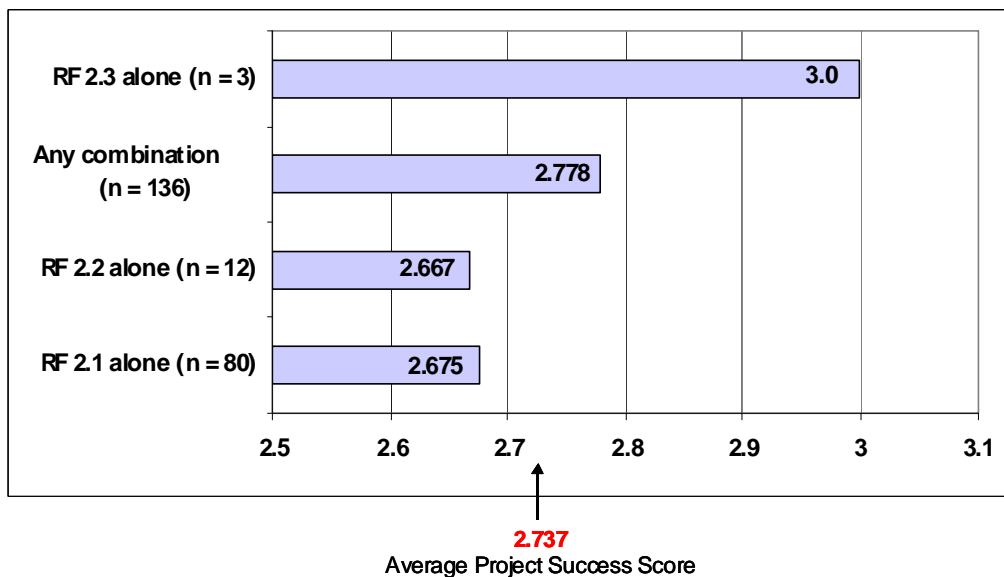
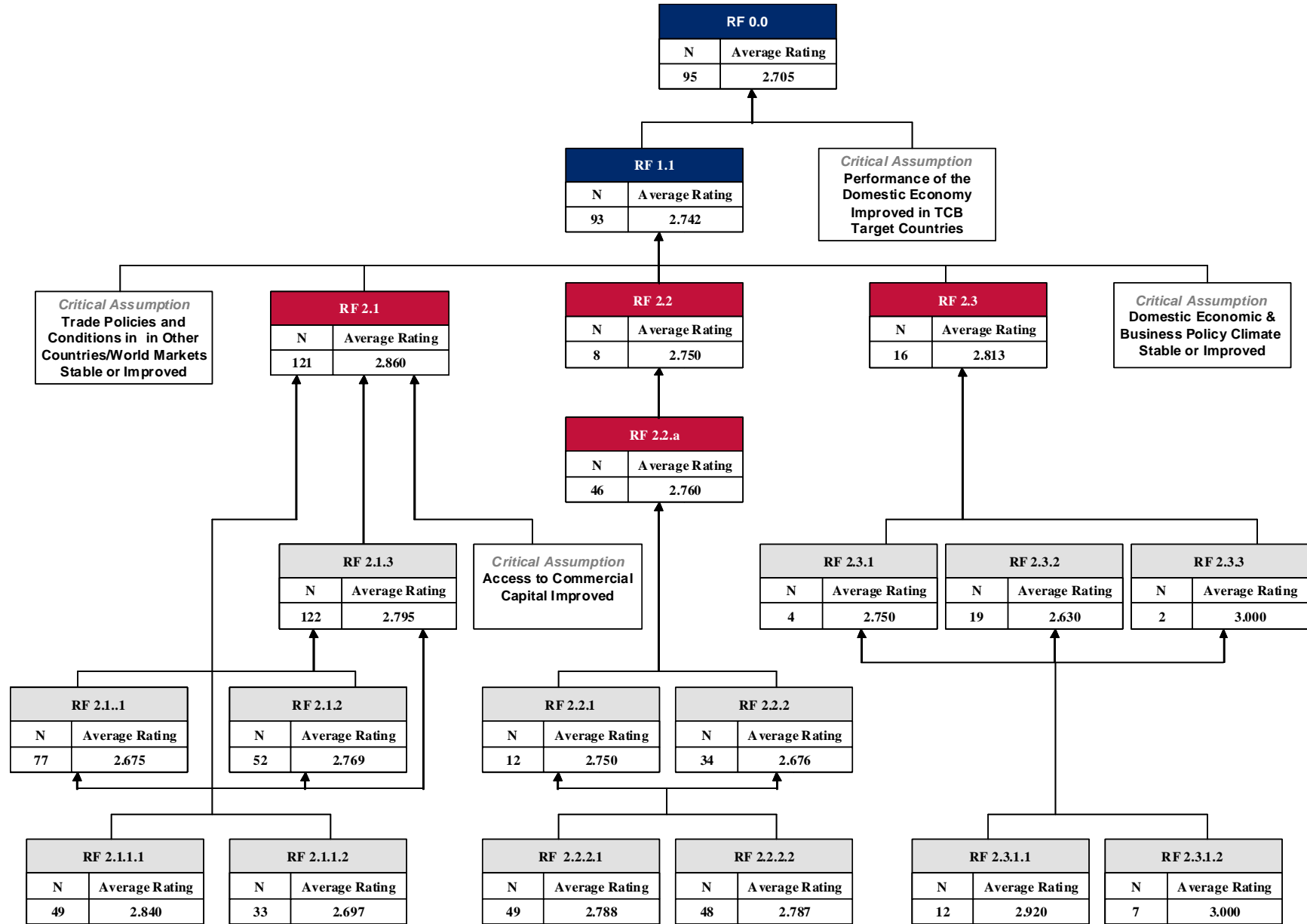
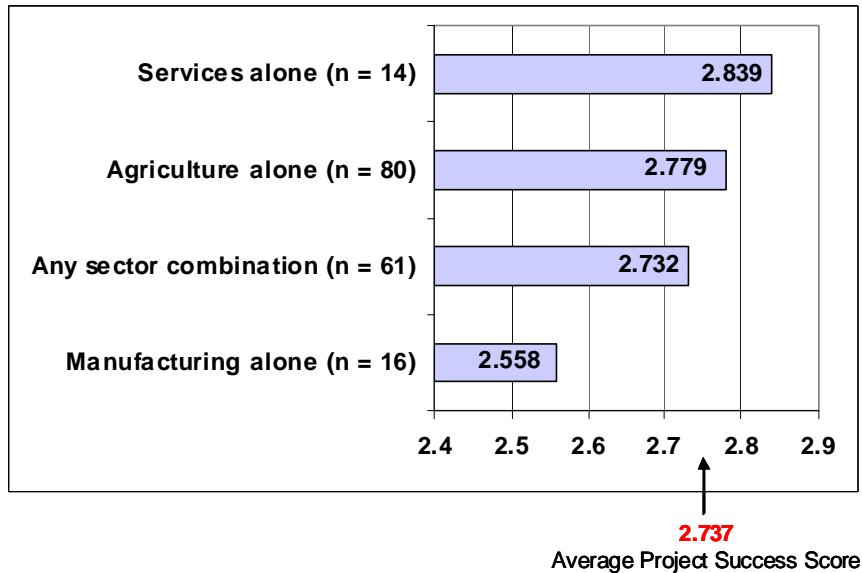


FIGURE 27. AVERAGE RESULTS RATING BY RESULTS FRAMEWORK LEVEL (N = 231)



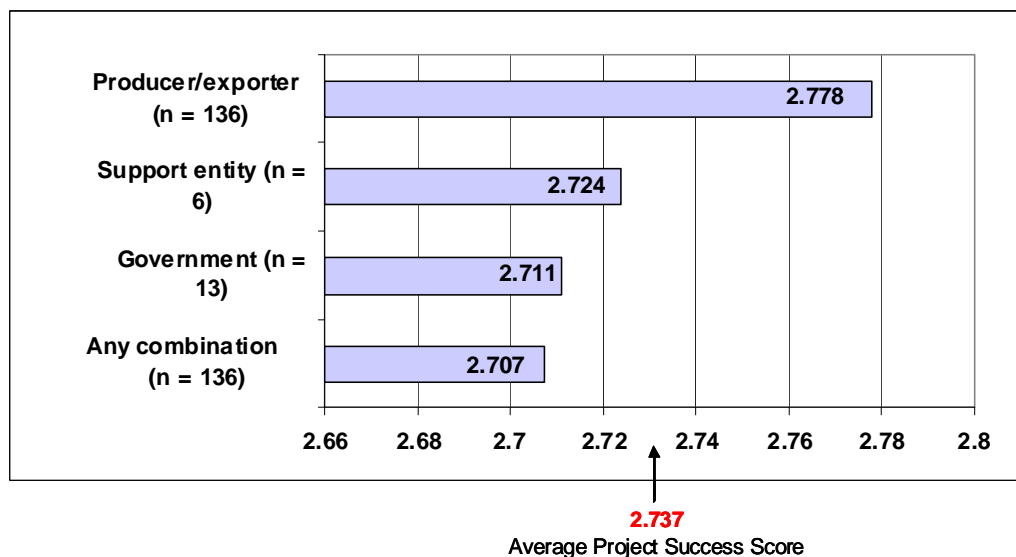
Project scores were also examined on a sector basis – agriculture, manufacturing and services. Sectors codes were most frequent for projects in the RF 2.1 (private sector practices) cluster. When projects that focused on only one sector were compared to each other and to projects that worked with products and policies in more than one sector, projects in the services and agricultural sectors scored higher than did combination projects, or those that focused exclusively on manufacturing, as Figure 28 shows.

FIGURE 28. AVERAGE PROJECTS SUCCESS SCORES BY SECTOR



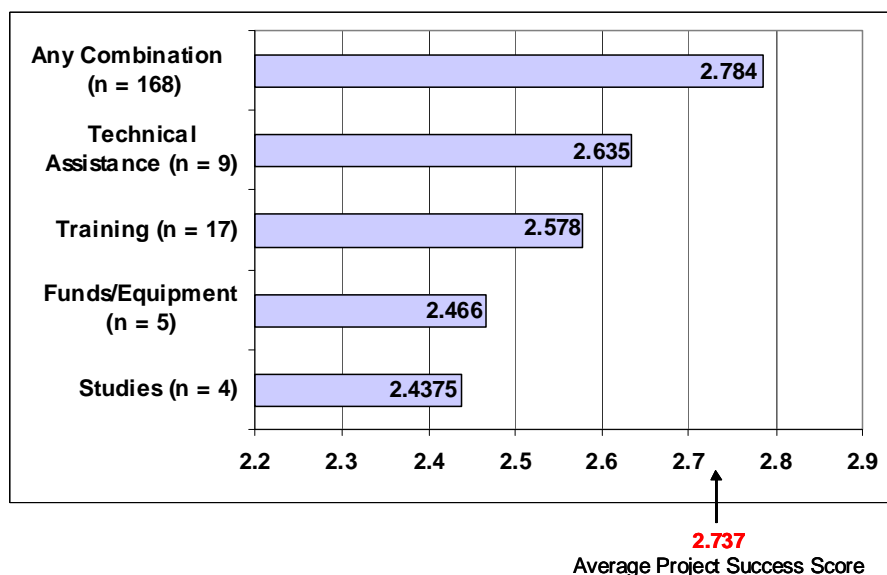
When examined in terms of their primary beneficiaries, those projects focused exclusively on producer/exporters (i.e., firms and farms, or farmer groups) had a score of 2.778, which is well above the average for all projects, as is shown in Figure 29. Conversely, projects focused on government or service entities (e.g., business support organizations or export promotion organizations) scored below the all-project average, as did projects serving combinations of beneficiaries.

FIGURE 29. AVERAGE PROJECTS SUCCESS SCORES FOR PROJECTS THAT USED SPECIFIC APPROACHES



The evaluation team also examined how project success varied as a function of the project modalities employed. For modality, combinations were the clear winner, with any combination scoring, on average, well above any single modality, as Figure 30 shows. Of the four modalities examined, technical assistance as a stand-alone approach was the strongest but still scored lower than the average for all projects.

FIGURE 30. AVERAGE PROJECTS SUCCESS SCORES BY MODALITY



In addition to modalities, the evaluation looked at the average scores of projects that used identifiable approaches. Figure 31 below shows the average scores for those projects employing approaches found to be in use in more than one USAID region. Projects in all three of these approach clusters beat the all-project average in terms of their project success scores. Two of these approaches, the value-chain and the cluster approach, were normally found in projects with an RF 2.1 focus. Projects using a value-chain approach did better than those using a cluster approach: this may be a function of the fact that clusters sometimes succeed with several, but not all, of the product groups they assist. This same figure presents the average score for projects employing a public-private sector dialogue approach to enhancing communications on trade matters, normally found under the RF 2.2 cluster. With an average score of 2.840, those projects adopting this approach were among the highest-scoring project groups the evaluation detected.

Finally, the evaluation examined projects that discussed having a special focus in project documents. One such focus was an emphasis on women (found in over 80 projects), while another was a focus on the poor (described in over 40 projects). As Figure 32 shows, these projects did better than the all-project average, with projects with a distinct focus on the poor scoring higher, on average, than those identifying a special focus on women. The evaluation team also sorted projects with a focus on women into two groups, based on the degree of detail in which they laid out the project's approach for integrating women or reaching them with project assistance. Average scores for the more serious of these projects sometimes scored 2.8 or better.

FIGURE 31. AVERAGE PROJECTS SUCCESS SCORES FOR PROJECTS THAT USED SPECIFIC APPROACHES

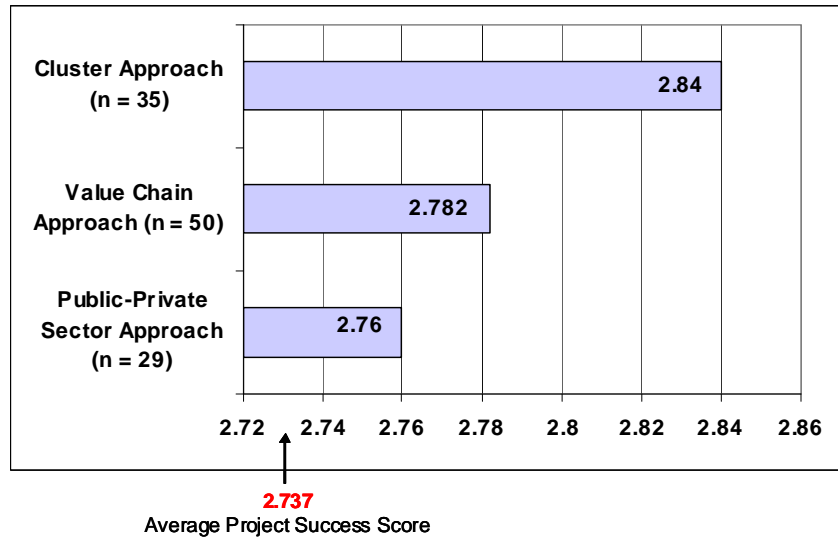
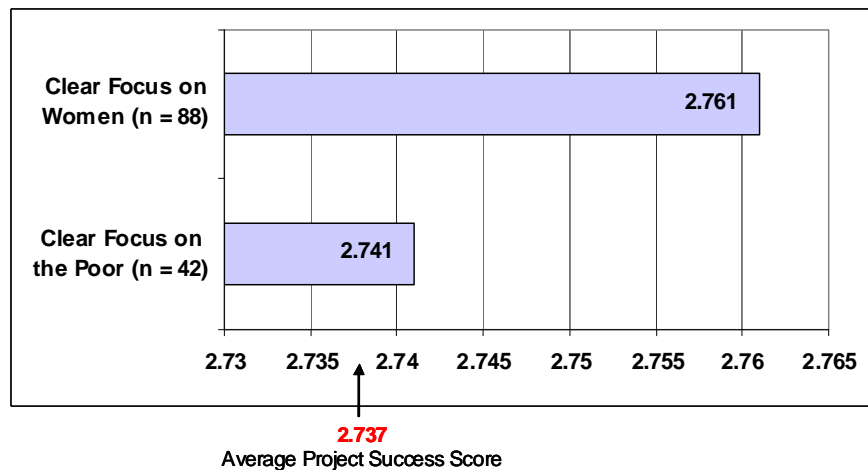


FIGURE 32. AVERAGE PROJECTS SUCCESS SCORES FOR SPECIAL FOCUS PROJECTS



2. SIGNIFICANT RELATIONSHIPS BETWEEN SUCCESS SCORES AND OTHER PROJECT CHARACTERISTICS

In this section, the evaluation reports on its analysis of information extracted from documents about 29 project characteristics in addition to their project success scores. These characteristics were compared to success scores to identify whether any of them were statistically related to project success scores and might help explain success or its absence. The analysis used the Pearson chi-square test to detect statistically significant relationships between characteristics and project success scores. Mission-funded projects and regional projects were included in this analysis, as a relatively large number of cases existed for each of these groups. A few globally funded projects were excluded because of the low number of cases. The 29 variables

to which project success scores were compared are shown in Table 18. They are grouped into four clusters, namely (a) independent variables over which USAID has control at the design stage for a project; (b) process

Table 18. VARIABLES EXAMINED FOR THEIR STATISTICAL ASSOCIATION WITH PROJECT SUCCESS RATINGS

| Independent Variables (Input and Design Characteristics) |
|--|
| • Total life-of-project funding |
| • Focus – totally trade, mostly, partly, small part (partly based on percent of funding reported as TCB related) |
| • Project duration |
| • Start and end years |
| • Intended results coded to TCB Results Framework |
| • Sector – agriculture, manufacturing, services |
| • Scope – single country or regional |
| • Scale – national, districts/regions, or smaller (e.g., some towns or villages) |
| • Setting – rural, urban or both |
| • Beneficiaries – government, producer organizations, support organizations |
| • Modalities – studies, training, technical assistance, funds/equipment |
| • Key Implementing Partner – U.S. firm or U.S. PVO |
| • Sustainability Plan – described, or not |
| Process Variables (Implementation Characteristics) |
| • Startup – smooth/timely, or not * |
| • Design – weaknesses reported, or not |
| • Critical assumptions – turned out to be problematic, or not |
| • Project was modified at some point, or not |
| • Budget was modified, or not |
| • Problems with key personnel reported, or not |
| • Problems with adequacy of staffing reported, or not |
| • Internal synergy among project components reported, or not |
| • External synergy with other programs reported, or not |
| • Problems with partners (internal/external) reported, or not * |
| Context Variables (Location Characteristics) |
| • Geographic region |
| • Presence of conflict |
| • Instability (political, economic, natural disasters) |
| • Parallel programs working focused on the same/similar results |
| Dependent Variables (Outcome Characteristics) |
| • Project success ratings |
| • Unintended results |
| • Attribution – claimed for USAID or shared with others |

variables, comprised largely of things that may occur during project implementation and affect its success; (c) context variables, or local conditions in the country in which the project is implemented; and (d) outcome (dependent) variables, including project success ratings and unintended results of projects. Also included here is a factor to be considered in relation to the planned outcomes against which project success was rated. This factor focuses on the cause and effect relationship between USAID’s projects and the results observed at the end of the project. The factor asks whether project documents describe USAID’s project as the sole cause of any observed results or whether those project documents say that credit for the results has to be shared with others, e.g., the government, another donor, etc. Throughout this section, whenever findings are said to be significant, it means that they were statistically significant at the .05 level on the Pearson chi-square test.

Of the 233 projects in the SPSS database, project success scores existed for 212 of these projects. The distribution of projects with project success scores in this database was reasonably even on a regional basis, i.e., Africa (52), ANE (50), E&E (51) and LAC (59), suggesting that any findings as to the relationships between project success ratings and other project characteristics are likely to be reasonably representative of USAID project experience worldwide.

Based on analysis through cross-tabulations and significance tests, the evaluation team found that most variables examined were not significantly associated with project success ratings. The only two factors that were found to be associated with project success at a statistically significant level – namely, a difficult or slow project start up phase or problems with partners -- are highlighted with an asterisk and shown in bold in Table 18.

In addition to the two project implementation issues that proved to be statistically related to project success scores, the evaluation noted that a number of other implementation issues were cited in project reports. While other frequently cited implementation issues may not have resulted in project success scores at the lowest level, they may have proved challenging enough to have impaired the ability of project team to achieve the highest possible success score. Table 19 lists the implementation issues from Table 18 that fall in this category.

Table 19. PROJECT IMPLEMENTATION ISSUES FREQUENTLY CITED IN USAID TCB PROJECT REPORTS
(n = 231)

| Project Implementation Issue | Frequency | Percentage of Projects |
|---|------------------|-------------------------------|
| Project was modified at some point | 124 | 54% |
| Budget was modified | 58 | 25% |
| Critical assumptions – turned out to be problematic | 54 | 23% |
| Design – weaknesses reported | 53 | 23% |
| Problems with adequacy of staffing reported | 34 | 15% |
| Problems with key personnel reported | 18 | 8% |

The paragraphs below review the findings of this analysis for each cluster of project variables.

Independent variables, or those variables, over which USAID has control at the design stage of the project cycle, were not found to be statistically associated to project success ratings. In other words, a wide variety of TCB project designs—be they of long or short duration, lightly or heavily funded, focused solely on trade or not, carried out in rural and urban areas, or managed by firms or private voluntary organizations (PVO)—have a very good chance of succeeding, at least in terms of achieving their articulated objectives.

Process variables, or implementation factors, were in some instances found to be significantly related to project success ratings. While some projects at every success rating level had start-up problems, **at the lowest project success rating level, there was a statistically significant link to project start-up problems.** Most projects with low project success ratings had start-up problems or were slow to mobilize, suggesting that such problems may be a predictor of poor performance. Examples of the range of start-up problems reported in project documents and USAID-funded evaluations are shown below:

- One project evaluation reported that *given the plethora of donor public sector projects, the Ministry was reportedly suffering from "donor assessment fatigue," in which case it may have been politically risky to proceed with a full-fledged organizational assessment. The attempt to complete such a participative assessment resulted in a six-month delay in reaching decisions which, in the end, reportedly did not reveal any significantly new information.*
- In its final report, one USAID partner reported that *due to logistics problems, the selected vendor had to delay procurement for several consignments. The first consignment arrived January 14, 2003 (5 weeks later than originally forecast*

by the vendor) and the last consignment arrived on March 10, 2003. In addition, the government's multinational partner delayed the provision of an official, operational version of ASYCUDA v1.16 for seven months.

Similarly, while projects at every success level reported problems with partner organizations, **there was a statistically significant link between difficult relations between project partners and low project success ratings.** A review of projects in this group indicated that difficult relationships could be among implementing partners and USAID, among implementing partners and other projects or government, or among different organizations on the same project team. Problems across this range were associated with low project success ratings. This problem was most often found in RF 2.1 projects. Examples of types of problems, as reported in project documents and USAID-funded evaluations, are shown below:

- An evaluation of one USAID TCB project reported that: *the relationship between a project and its subcontractors should become stronger and develop over time, but this is not a linear process. This project made an effort to strengthen its relationship with its subcontractors after a midterm evaluation. This led to a positive outcome with the key subcontractor teams. However, some subcontractors had little interest in becoming project partners, and it was difficult to develop strong relationships with them.*
- In another instance, project documents indicated that: *the present government remains very poorly institutionalized and dependent on the whims of top leaders. Agricultural policy...is now largely determined at levels higher than that of the Ministry of Agriculture. Moreover, problems due to lack of attention to the sector persist. It is clear that a policy advice project works well only when its counterpart understands its value and supports it. It is less clear that that support from the Ministry is sufficient if higher levels of the government do not share their understanding and assessment.*
- Another TCB project evaluation reported that *differences between USAID and the host government led to some discrepancies between the project as prepared by the Government and the project contract between USAID and its Implementing Partner. These differences delayed the project start up. Further, conflict among stakeholders concerning specific project elements is distracting attention from USAID's overall project effort to improve aquaculture management. Production is strong but a lack of agreement among stake holders has made it difficult to build support for a seal of quality program*

Commenting on problems of this sort and their impact on project results, one respondent to the evaluation's e-survey of missions during the study's stakeholder consultation period wrote that TCB projects with a WTO focus have *managed to achieve results only if the Government supported these efforts. Unfortunately, due to the constant political crisis, fights between different branches of government and numerous elections, progress in this country towards the implementation of WTO agreements has slowed down.*

While not statistically significant, projects with the lowest success scores were also those that were the most likely to have reported weaknesses in project design during implementation; critical assumptions which proved to be problematic or invalid; insufficient staffing; or modification in the project during implementations. Although projects with higher success scores also sometimes reported such problems, these problems seem to be more intense and to have converged in those projects receiving the lowest success scores.

While sometimes anecdotally reported to be a prime cause of project failure, turn over in key personnel—particularly at the Chief of Party level—was not found by this study to have a significant statistical association with project success ratings.

Context Variables were not found to be negatively correlated with success at a statistically significant level. Nor was success correlated with geographic locations or USAID bureaus. Some findings concerning contextual variables did emerge however, that, while not statistically significant, may still be worth noting:

- Those projects in countries where armed conflict was present did not seem to suffer as a result: of the 24 projects carried out in countries where ongoing conflict was reported, 58 percent were rated as having met/exceeded their targets/stated intent.

- A similar situation prevailed among projects in countries with other where other types of instability were reported: of the 62 projects carried out in such countries, 53 percent met/exceeded their targets/stated intent.

Dependent Variables – neither of the two remaining outcome variables were significantly associated with project success scores. Nevertheless, two findings at this level are of interest:

- 57 percent of projects that reported a positive, but unintended, result were rated as having met/exceeded their targets/intent. This is higher than the average of 49.5 percent for all projects.
- Projects whose documents claimed that project results were solely attributable to USAID and those that claimed that project success was to be shared with at least one other program or project were equally likely to have been scored as having met/exceeded their targets/intent.

3. STATISTICALLY SIGNIFICANT RELATIONSHIPS AMONG OTHER TCB PROJECT VARIABLES

The focus of the quantitative analysis reported above was on whether and how project variables, or characteristics related to the project success scores. In addition to the relationships found between success scores and other variables, the evaluation found other significant relationships among project variables when it repeated this analysis using other project variables as the lead variable to which others were compared to determine if a relationship existed. The results of this supplementary analysis of statistically significant relationships among TCB project variables are reported in Annex D. Variable used as lead variables in this supplementary analysis include geographic region, Result Framework clusters, project size, sector, institutional beneficiaries and project assistance modalities. The results of these analyses are included as specific relationships they report may have implications for the design of future TCB projects.

4. QUALITATIVE FINDINGS ON KEYS TO PROJECT SUCCESS

In addition to its quantitative analysis, which identified a slow or difficult project start-up and problems with partners as statistically significant predictors of low project success, the evaluation team also used content analysis to mine project narratives for information on the factors that contributed to project success. In this section, the results of this qualitative analysis are presented along with illustrative excerpts from final reports, evaluations, and other documents.

Table 20 highlights factors that project narratives described as being important for project success. The frequency with which each of these factors was cited is also shown. A key contributor to success emerging from this analysis is the quality of the relationships among partner organizations. Below are project narratives highlighting specific elements of project success achieved through organizational collaboration. On the technical side, narrative statements pointing to the involvement of private sector buyers and a demand-driven approach to choices of products on which to focus and the kinds of support to provide to producers link to evidence, including evidence in this report concerning the merits of a value chain approach to export development.



Flotea Massawe displays one of her clutch bags.
Source: USAID Compete Project

Table 20. **KEYS TO SUCCESS**
(n = 75)

| Narrative Description Success Factors | Number Citing Success Factors | Percentage Citing Factor |
|--|-------------------------------|--------------------------|
| Collaboration among organizational partners | 23 | 31% |
| Management (including flexibility, leadership) | 14 | 19% |
| Involvement of private sector firms/buyers | 12 | 16% |
| Beneficiary awareness that success depends on them | 11 | 15% |
| Participatory processes used, e.g., design | 7 | 9% |
| Outreach to intended beneficiaries | 6 | 8% |
| Demand- or market-driven approach | 6 | 8% |
| Independence from government and/or other projects | 4 | 5% |
| All aware that time or funds were limited | 3 | 4% |
| Regional nature of project | 2 | 3% |
| Infrastructure availability | 1 | 1% |

Below, project reports captured through the evaluation team’s document review highlight the relationship between partner collaboration and project success:

- *During the design phase of the program, the participation of local communities, organizations and institutions was fundamental, especially during two specific stages: the situational analysis of their reality and the establishment of priorities and objectives. In addition to demonstrating coherence with the right to participation, ensuring a high degree of "legitimacy" for the changes to be made, this participation contributes to sustainability and helps to optimize resources, since no significant persuasion efforts are needed.*
- *This project demonstrated that three elements are essential to promoting regional investment: Support from the country’s highest authorities for decentralization and reform; real cooperation between the various regional and national agencies involved in the investment process; and commitment from all stakeholders to improve the country’s image and increase its competitiveness, with a view to attracting international investors, mobilizing domestic investment, and strengthening the loyalty of existing investors.*
- *In Georgia, the key in GEGI’s success would be establishing a strong dialogue between a business community beginning to develop a “social conscience” and an interest for improving the situation for all players, and a new Government eager to distinguish itself from its predecessor but lacking the private sector’s confidence. GEGI quickly developed strong working relationships with leaders from the business community and high-ranking government officials. These proved instrumental to GEGI’s success*

Management factors also played a decisive role. The evaluation team consistently found reports in project documents about the relationship between the beneficiaries’ sense of responsibility for results and project success. Beneficiary participation in project design was reported as being important in instilling a sense of “ownership” of the project.

- *Participants are aware that assistance is provided for a limited time only. They understand that success is up to them, and that they must make the effort to succeed.*
- *Flexibility in implementation, ensuring that all activities are demand driven, and maximizing the use of limited resources are perhaps the three most critical elements which shaped the DR RAISE project. Each strategy developed or training accomplished is completely owned and accepted by counterparts. This process of accountability through participation taught good governance and responsibility – important elements to promote social capital accumulation among each group.*

In addition to those excerpted above, several trade capacity building project narratives suggest that results were achieved more readily when projects operated independently, or with minimal reliance on or interaction with host country institutions, though this seems also to be dependent on the particular host country. It may be more conducive to project success for the project to work independently if the host country's institutions are corrupt and evolving rapidly, but in cases where the host country is highly supportive of the reforms taking place and its institutions welcome change, it may be more beneficial to work together.

Research is quite limited on the merits and disadvantages of projects working around, rather than with, host country institutions. Lessons learned from other types of USAID-funded projects, including, for example, a USAID/Armenia review of the successes and failures of USAID integrated rural development programs illustrates potential problems with the type of institutional independence that several trade capacity building projects considered to be keys to their success. This and other factors that the USAID/Armenia review found impeded success are highlighted in a text box in this section. Additional examples of these issues drawn from USAID TCB project documents are provided below.

- *The USAID/EXPRO project's ability to operate freely outside the host government bureaucracy has been another important factor in its successful implementation. Had it been subordinated to a government agency, there most likely would have been some changes in its programs and its progress certainly would have slowed. Two important factors in the successful implementation of USAID/EXPRO have been its creativity and the relative freedom it has enjoyed to carry out its ideas. This would likely not have been the case if USAID/EXPRO was subordinate to a GOES agency, since the agencies priorities would likely have taken precedence over USAID/EXPRO's activities. Furthermore, the generally slow pace of government would likely have slowed USAID/EXPRO's activities and diminished the results it has provided. On the other hand, it is necessary and desirable to collaborate with relevant government agencies and maintain their support for program implementation.*
- *IDEA's design made it possible for the project to work directly with private sector clients. IDEA could not have achieved the same results if it had been working through a government ministry such as MAEIF or a government agency such as the PMA Secretariat or NAADS or UEPB.*

FACTORS THAT IMPEDE PROGRAM LONG-TERM SUCCESS

- Heavy reliance on technical assistance with little training for the local staff to effectively take over the implementation;
- High levels of investments, which significantly exceed norms, result in resource unavailability (e.g. no way to find replacement parts or afford maintenance) when project disbursements end;
- Establishment of project-specific institutions that do not get absorbed into regular institutional settings;
- Relatively short duration of programs, which results in the inability to produce results during the project implementation cycle; and
- Low level of community involvement and lack of sense of ownership.

USAID/Armenia: Findings from a Review of 17 studies on the successes and failures of Integrated Rural Development (IRD) projects funded over a 30 years (2006)

5. QUALITATIVE FINDINGS ON BARRIERS TO SUCCESS

In its search for the keys to success in project narratives, the evaluation team also found an equivalent amount of information on impediments to project success. The results of the content analysis of these narratives, summarized in Table 21, highlight frequent problems with government “red tape,” as well as other factors that beyond the control of the project, such as shifts in markets or political changes in host countries. Bureaucracy and red tape are the barriers to success that projects seek to avoid when they establish separate entities that can “work around” government, but, as indicted in the text box above, avoiding rather than addressing bureaucracy as a problem may not promote the long-term success and sustainability of USAID-funded efforts. Other barriers to success identified in project narratives involved capacity gaps, i.e., staff skills, infrastructure, supplies needed to implement projects and access to technology.

Table 21. **BARRIERS TO SUCCESS**

(n= 91)

| Narrative Description Barriers to Success | Number Citing Barriers | Percentage Citing Barrier |
|---|------------------------|---------------------------|
| Government regulations, red tape, etc. | 35 | 38% |
| Market, political and other external changes | 29 | 32% |
| Government intervention in project schedules | 8 | 9% |
| Capacity/lack of qualified officials/staff | 8 | 9% |
| Lack of infrastructure | 7 | 8% |
| Lack of supplies, materials, market information | 7 | 8% |
| Lack of access to new technology | 4 | 4% |
| Project factors, e.g., design, implementation | 3 | 3% |
| Logistical and other delays, management | 2 | 2% |
| Government role in the sector | 1 | 1% |
| Fraud and corruption | 1 | 1% |
| Language issues/barriers | 1 | 1% |

A number of project narratives captured how market and other factors outside the project control make it difficult to achieve the intended results of trade capacity building projects:

- *As was the case for Central American countries, Colombia was adversely affected by surging Asian apparel exports to the United States. Another factor that worked to Colombia's disadvantage was the 3.6% appreciation of the peso.*
- *Implementation of the FTA beginning in January was supposed to give a boost to Moroccan competitiveness vis-à-vis Chinese and other countries' exports, but the tariff advantages – frequently in the 1- percent range – have been more than offset by the dollar's fall. Those of NBO's client companies who operate with relatively low profit margins, such as those in footwear and sportswear, currently find the prospect of near-term profitable sales into the United States pretty remote.*

Narratives also highlight how red tape, as well as conflicting government objectives and unexpected shifts in government priorities, affect trade capacity building projects:

- *Agricultural cooperatives and processors working across different parts of BiH were hindered by a complex regulatory system that incurred significant costs for businesses, both in terms of time and money. Producers were frustrated by the multiple government permits required.*
- *An important way in which this (political) situation has negatively impacted the project has been via repeated travel bans, preventing or shortening design consultant visits for long periods in the project lifecycle. This creates significant delays in the product development process, especially when products are scheduled to appear in an international trade show held only twice a year.*

Access to new technologies, either mechanized or biological, has been difficult in Angola due to language barriers and general isolation. The Government of Angola (GOA) continues to play a dominant role in the development of agriculture and industry. While providing scope for a few big deals, it often distorts the market and makes it quite difficult for smaller players to become involved.

- *This decree came as a complete surprise to all involved: according to one livestock association working with the project, no one knew until a letter arrived at the construction site from the Ministry of Foreign Affairs telling them to vacate within several days. A top USAID official said they found out similarly – and were actually relieved to wash their hands of the project, since it had not exactly gone as planned.*

- *Documentary information from one of the projects carried out at the start of the study period, i.e., around 2002, indicate that in at least one instance the USAID's interface with UNCTAD on ASYCUDA was problematic and negatively affected USAID's project timeline: The ASYCUDA system was developed and distributed by UNCTAD. One of their aims is to seek opportunities for the provision of technical assistance in this area and identify work that can be done by them on a fee basis. Their position is that they only work directly with governments, meaning we cannot receive any direct technical support from them. Although not a major barrier, it did cause some problems as we proceeded to upgrade the SCC computer systems to the newer version of ASYCUDA. We encountered considerable delays from UNCTAD over a period of seven months in our attempts to assist the Customs Committee to obtain an official version of the upgraded software. After an extensive exchange of correspondence, several meetings with UNCTAD representatives, and the negotiation of an amended Memorandum of Agreement between the Customs Committee and UNCTAD, an official copy of the ASYCUDA version 1.16f software was sent by UNCTAD to the Customs Committee.*

Capacity gaps, another type of barrier to project success, not only illustrate the difficulties project experienced, but also highlight the types of capacity-building efforts that could, in principle, be incorporated into TCB project designs.

- *Horticulture exports were limited by a lack of airfreight capacity... Dairy/livestock has been hampered by inappropriate government regulations and the grain sector also faces similar regulatory problems.*
- *Lack of entrepreneurial capacity among smallholders and poor production practices were identified as major barriers towards achievement of the project goals.*
- *A key constraint which affected project implementation was the dearth of qualified persons in both the public and private sectors. As an example, some ministries and agencies are at 5 percent of staff strength.*
- *In several cases they were unable to mobilize and position refrigerated trucks (and even standard trucks for exports to Serbia and Croatia) to deliver the products within the time frames required by the buyers. As a result several orders made by buyers in Serbia, Croatia, Poland and Germany had to be cancelled due to lack of transportation.*

QUESTION 4: WHAT COMBINATIONS OF ACTIVITIES OR INTERVENTIONS WERE MORE SUCCESSFUL AND SUSTAINABLE THAN OTHERS, AND WHAT WERE THE PRIMARY SYNERGIES THAT CONTRIBUTED TO THAT SUCCESS?

This section addresses USAID’s question concerning combinations of interventions and activities found in TCB projects and which of these combinations were most successful. It begins with the evaluation’s conclusions on this question. The section also examines where synergies appear to have existed among components, or between TCB projects and other factors in the project environment. In addition, it presents information the evaluation team was able to locate on project sustainability, including what was learned about practices, services, and benefits that have actually been sustained.

Conclusions:

- Synergies among USAID TCB project elements (such as the modalities through which assistance is delivered) and synergies between projects and the environment in which they operate contribute to the achievement of project objectives.
- Improvements realized with USAID TCB project assistance are most likely to be sustained when future funding sources are clear: for example, when revenues from export earnings will sustain improved private sector practices, or when government investments will sustain support services to exporters or the implementation of trade policies and agreements.

The remainder of this section presents evaluation findings that support these conclusions.

I. THE RELATIVE EFFECTIVENESS OF COMBINATIONS OF PROJECT ELEMENTS

In this evaluation, the term “combinations” was not defined a priori; combinations were instead defined empirically by reviewing what types of combinations of interventions and activities USAID TCB projects had actually included. This process identified four dimensions along which project design choices had been made that produced combinations, including:

- **Results Framework clusters involved** – whether a project aspired to results in one or more of the three main clusters in the evaluation’s TCB Results Framework
- **Economic sectors** – whether a project focused on agriculture, manufacturing, services, or a combination of sectors.
- **Export project approaches** – whether projects that focused on exports from these sectors utilized a value chain or cluster approach, or both
- **Institutional beneficiaries** – whether a project benefited producer organizations, support organizations, government, or a combination thereof
- **Foreign assistance delivery modalities** – whether projects involved studies, training, technical assistance, equipment, or some mix of modalities.

This section presents the frequency with which combinations were found along each of these dimensions. Table 22 identifies the frequency with which specific elements of each dimension were found in projects. This table uses red check marks to indicate which element was the most common for each dimension. The section below then uses project success scores (explained in Part One, Section III, Question 3 above) to detect differences in the degree of success found when projects included more than one element on four of the five dimensions listed above, i.e., combinations of results, sectors, beneficiaries or modalities. Findings in this section also bring forward relationships between these dimensions and other project characteristics, to the extent that they are relevant and were not previously presented.

Table 22. DISTRIBUTION OF TCB PROJECT DIMENSIONS INCLUDED IN THE STATISTICAL ANALYSIS OF COMBINATIONS

Results Framework Clusters (n = 231)

| RF 2.1 ✓ | RF 2.2 | RF 2.3 |
|-----------------|---------------|---------------|
| 222 | 150 | 62 |
| 96% | 65% | 27% |

Sectors (n = 194)

| Agriculture ✓ | Manufacturing | Services |
|----------------------|----------------------|-----------------|
| 149 | 74 | 58 |
| 77% | 38% | 30% |

Institutional Beneficiaries (n = 203)

| Producer Organizations ✓ | Support Organizations | Government |
|---------------------------------|------------------------------|-------------------|
| 154 | 116 | 71 |
| 76% | 57% | 35% |

Foreign Assistance Delivery Modalities (n = 221)

| Training ✓ | Studies | Technical Assistance | Funds & Equipment |
|-------------------|----------------|-----------------------------|------------------------------|
| 173 | 138 | 98 | 114 |
| 78% | 62% | 44% | 56% |

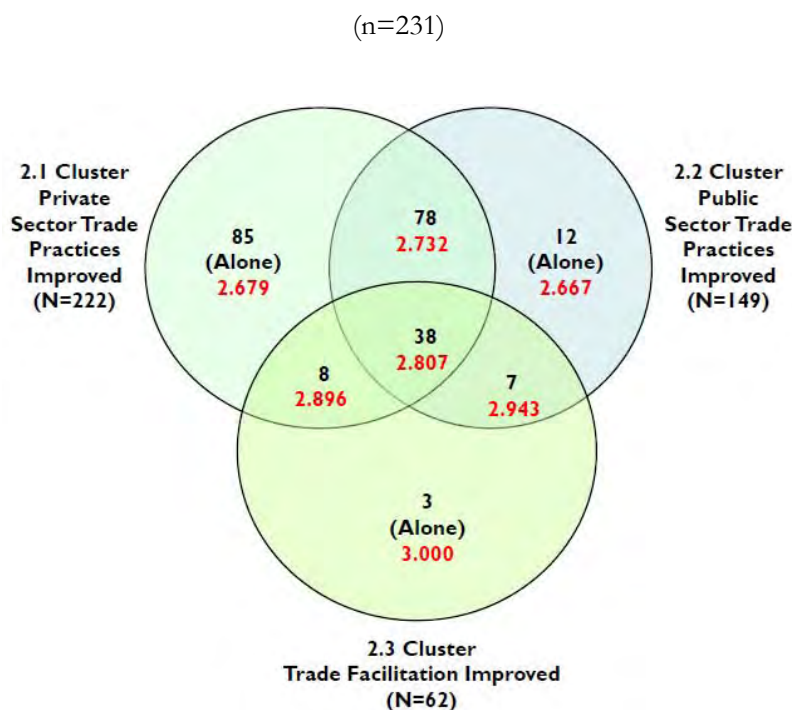
Sub-sections below examine, in quantitative terms, the frequency with which the projects involved combinations of elements along each of these vectors. Project success ratings, on which Part One, Section III, Question 3 focused, are also used here to detect the effectiveness of project involving combinations relative to project with a single focus along a vector.

a. Combinations involving Results Framework Clusters

This section highlights the extent to which projects focused exclusively on one RF cluster or had objectives that spanned two or more RF clusters, as well as discussing the other characteristics associated with those distinctions. Figure 33 illustrates the degree to which Results Framework clusters overlapped and which combinations of results in projects were most frequent, showing the average project success score for every combination.

As Figure 33 shows, USAID’s TCB program is dominated by projects that focus on results in more than one RF cluster, with 132 (57 percent) of all projects included in this diagram involving a combination of results from more than one Results Framework cluster. With respect to standalone projects, RF 2.1, with 81 standalone projects has the largest number. Other results clusters have lower numbers of standalone projects, i.e., 12 for RF 2.2 and 3 for RF 2.3.

FIGURE 33. PERFORMANCE SCORES FOR RESULTS FRAMEWORK CLUSTERS



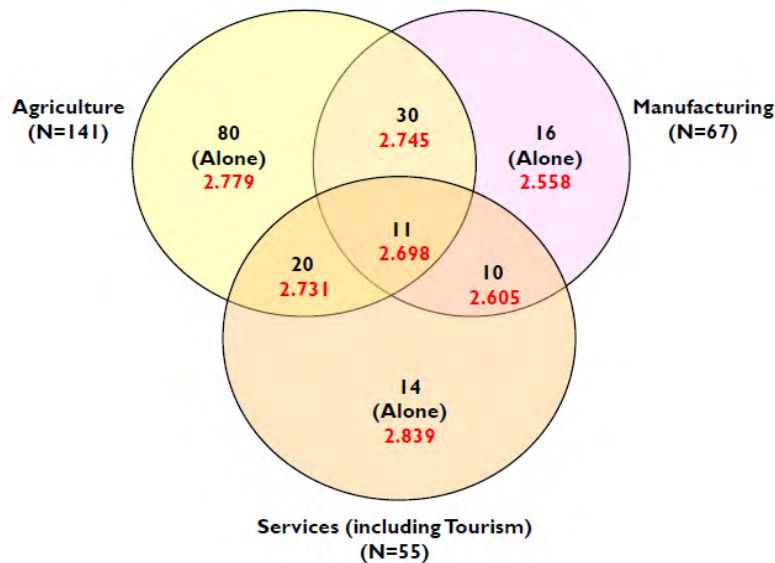
With respect to achieving results, the analysis of combinations of RF cluster projects shows that, with the exception of a few standalone RF 2.3 projects, all of which met/exceeded their intended results/targets, combination projects achieved higher average success scores than did standalone projects.

b. Sector Combinations in Projects

Figure 34 displays the frequency with which projects focused on more than one of the three sectors the evaluation treated as sub-clusters—agriculture, manufacturing and services—which in field projects generally meant tourism, though some projects in the services sector had an ICT focus. As this figure shows, combinations were also found when this vector was considered. To the extent that combination projects had an RF 2.1 focus, they were often projects that used a cluster approach. While some cluster projects included a variety of agricultural products but did not include products from other sectors, other projects ranged more widely, including one or more agricultural products, tourism, and one or more manufactured products in a cluster project. Of the 181 projects included in the sector overlap diagram below, 71 (39 percent) involve more than one sector. Of those projects that had a single sector focus, the largest number (80) focused on agriculture. Fewer single sector projects focused on manufacturing (16) or services sector exports, including tourism projects (14).

As to the success ratings of projects with a sector focus, standalone agriculture and service sector projects scored higher than combination projects of any sort. This finding contrasts with the findings for results clusters above, where combinations tended to score higher than did project that focused on results in only one results cluster. On the other hand, manufacturing projects, among projects with a sector focus, scored lower than any of the combination projects. Among projects that involved combinations of sectors, average success scores for projects that combined an agriculture and manufacturing focus were the strongest of any combination of sectors in TCB projects.

FIGURE 34. SECTOR FOCUS IN PROJECTS AND PERFORMANCE SCORES
(n = 181)



With regard to the relatively low level of success achieved by projects that involved manufacturing, project funding levels may have played an important role. As noted above, projects that involved manufacturing had lower levels of funding, on average, than did projects that focused on other sectors, and there was a statistically significant relationship, overall, between sectors and project funding levels. During the evaluation’s Phase III Stakeholder Consultation sessions, USAID implementing partners identified the length of time required to achieve results with manufacturing projects, as compared to agricultural projects that may take only one growing season to yield positive returns, as another possible explanation of the relatively low success scores received by projects with a manufacturing focus.

c. Combinations of Approaches

Among export projects, the evaluation noted the use of two approaches for organizing producers, namely the value chain approach and the cluster approach, both of which are discussed more fully in Part Two, Section III on RF 2.1 (private sector practices). This section looks at the frequency with which these approaches were used alone or in combination and how those choices seemed to relate to project results. As Figure 35 shows, 15 projects (21 percent) of the 70 projects that used one of these approaches used them together. Another 35 projects used only the cluster approach, while 20 used only the value chain approach. Notably, projects the average success score for the 15 projects that used these approaches in combination was slightly higher than when either one was used alone.

d. Combinations of Institutional Beneficiaries

Another way that projects used combinations was by combining different types of institutional beneficiaries. Across projects, the evaluation found that direct beneficiaries of projects tended to be producer/exporters, i.e., firms, farms, or farmer groups; support service organizations, e.g., government export promotion agencies, business support organizations, etc., or Ministries of Trade and related government institutions. Figure 36 examines the degree to which projects focused on just one of these types of institutional beneficiaries or more than one.

FIGURE 35. VALUE CHAIN AND CLUSTER APPROACH OVERLAP AND PERFORMANCE SCORES.
(n = 70)

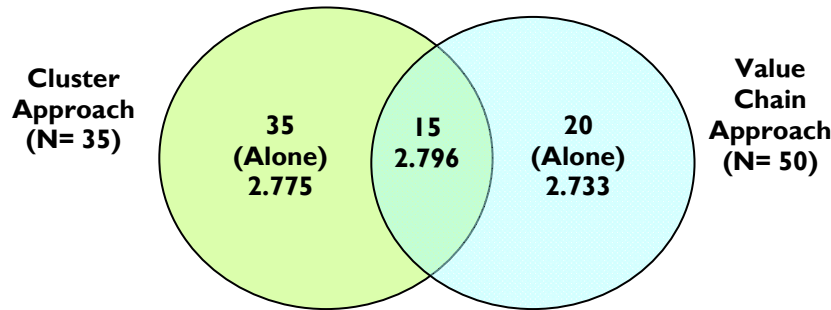
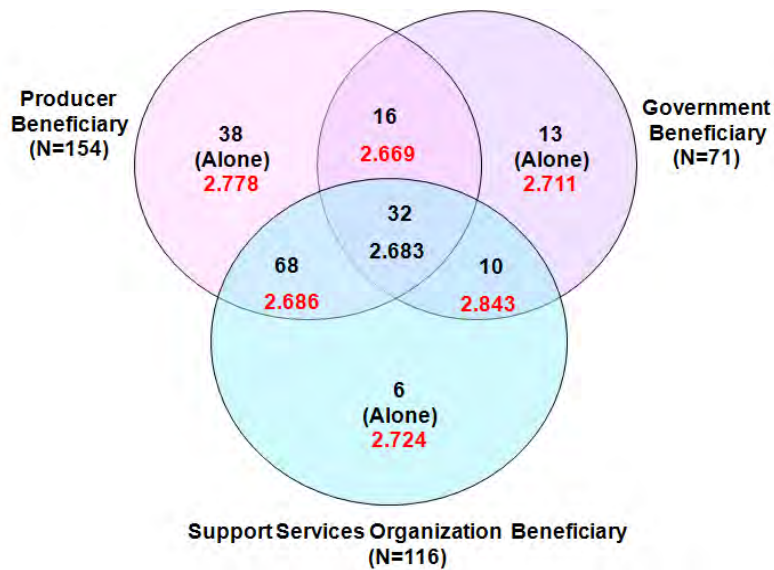


FIGURE 36. PROJECT BENEFICIARIES INVOLVEMENT AND PERFORMANCE SCORES
(n = 193)



As Figure 36 indicates, a large proportion of projects (65 percent) focus on more than one beneficiary. This is particularly true with respect to producer/exporter beneficiaries and the support firms that provide them export assistance, such as exposure to market opportunities and technical requirements and standards based in WTO agreements or basic business skills. Support service organizations take a variety of forms. Some are consulting firms, while other are firms and other types of organizations that describe themselves as training and service providers to firms, farms, and associations that engaged in exporting. USAID and other U.S. government or international agencies channel funding through BSOs as beneficiaries as an alternative to producers or host-country government agencies directly. As a part (or the entirety) of a project, USAID may obligate funds to BSOs, who will then provide services to the same firms, farms, and associations that USAID works with directly. Producers and governments as beneficiaries are slightly more common and easier to understand. Given the nature of support service organizations, very few projects focus only on this group, i.e., 5 percent of all projects that focus on support services as a beneficiary in any way.

In terms of the relative effectiveness of standalone and combination projects when beneficiary groups are considered, standalone or single beneficiary focused projects generally did better than projects that focused on multiple beneficiaries, as the success scores for groups of projects coded “alone” in Figure 36 indicate. An exception in this regard are the 10 projects that focused on both service support organizations and government agencies which had a relatively high average success score at 2.834 as compared to the all project average of 2.737. Conversely, Figure 36 shows a lower-than-average project success rating for projects that focused on both service support organizations and on producer/exporters, i.e., 2.686. This average score was lower than that found for projects that focused only on producer exporters.

At the project level, this fact contrasts with USAID projects that deliver technical assistance directly to farmers and with projects that establish or work with local business support organizations, helping them build their capacity to provide services to farmers. The suggestion in these data that direct assistance may be the more effective choice must be balanced, however, against sustainability concerns, which are addressed at the end of this section.

e. Combinations Involving Foreign Assistance Delivery Modalities

USAID TCB projects are normally implemented using one or more of several modalities including studies, training, technical assistance, equipment or the provision of funds (funds and equipment were combined in the analysis with funds/equipment as a single variable), e.g., a pool of funds earmarked for use in a small grants program. Figure 37 highlights the frequency with which these modalities were found alone or in combination across 203 projects for which this information was available.

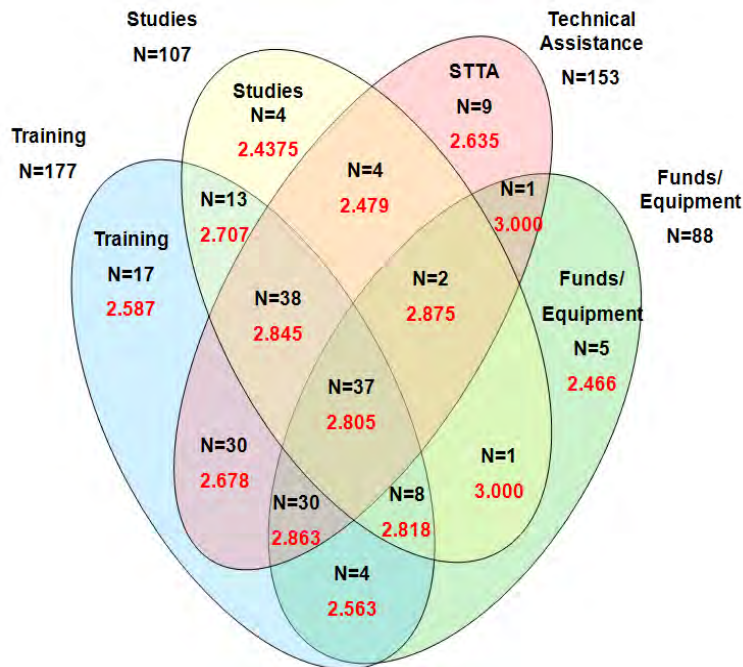
With respect to effectiveness, average project success ratings in Figure 37 suggest that as a general rule projects that combine two or more foreign assistance delivery modalities do better than stand alone projects that deliver, for example, only a study, only a training program, or only equipment or grant funds. Among these, projects that deliver only a study or only equipment received relatively low average project success ratings, but that may in part be a function of the difficulties faced when trying to determine what results such kinds of inputs yield. Projects that deliver only technical assistance, on the other hand, do relatively better, but generally not as well as a number of the different types of combination modality projects identified described in the graphic for this vector.

2. THE SYNERGISTIC EFFECTS IN PROJECTS INVOLVING MORE THAN ONE FOCUS

Quantitative data in the previous section indicate that combinations of elements in projects may be synergistic, e.g., combinations of results from more than one results cluster, or the use of several different assistance delivery modalities in the same project. In addition to these quantitative data, the evaluation collected narrative information on synergies from project documents.

Most of the comments found about synergies in project documents focused on synergies that involved other projects or government programs. Documents covering roughly 30 percent of the 256 projects that the evaluation examined in detail made at least a passing comment in this regard. Descriptions of synergistic effects that emerged from interactions among internal project components or features were less common, appearing in documents covering roughly 15 percent of the set the evaluation team reviewed.

FIGURE 37. FOREIGN ASSISTANCE DELIVERY MODALITIES AND PERFORMANCE SCORES
(n = 203)



- In Egypt, considerable efforts and analyses were undertaken by USAID assistance to convince customs officials that automation alone would not solve the problems faced by ECA (Egyptian Customs Authority), and that reforms related to procedures, regulations and human resources were as important as securing a modern IT system. These efforts were very successful and the customs reform plan developed by the CRU (Customs Reform Unit) with USAID assistance was a reflection of the new vision that ECA started to develop. In addition, ECA counterparts also realized that they must work and coordinate with a diverse spectrum of parties involved in trade transactions, including: importers, exporters, customs brokers, freight forwarders, shipping agents, carriers, banks, air/port authorities and other government departments and control agencies.
- In Russia, links between components lead us to complete synergy of the program and in effect creating one of USAID's most successful projects. Faced with initial skepticism and limited technical capacity in the region, the Biomass Energy Team successfully developed trusting relationships with company technical personnel, design firms, Russian consultants, and U.S. and Russian equipment suppliers and manufacturers to move biomass energy projects forward.
- In Nicaragua, EPAD success was also due to the integration and synergy achieved between the policy and agribusiness components, which worked through numerous alliances with producers' organizations, NGOs, and education and research institutions. In addition to projects carried out with the two DAP partners, EPAD provided technical assistance on production and management aspects to other USAID partners: ADRA (tomato project); Project Concern International (on IPM and biological controls for the potato program); and CRS (vegetable production program.) The US Peace Corps assigned volunteers to some of EPAD's productive projects. In this way, Peace Corps technicians provided training to EPAD technicians on methodologies to establish community banks within communities targeted by both institutions. (Final Report) During this period, relations were established with non-governmental organizations and state institutions that work in the area of sheep and goat production... (Final Report) In coordination with Save the Children and the ARAS Foundation, IICA/EPAD agreed to establish a program for the planting of 600 manzanas of this crop

- In Afghanistan, RAMP succeeded because none of its activities was developed in isolation: All of the target commodities depended on program activities in infrastructure, rural finance, and institutional capacity building. This integrated approach increased access to markets, strengthened value chains, and kept RAMP on target for sustainability. The Team can understand that the work was complex and there were not enough staff, but that is an excuse that could have been addressed better than it was. RAMP did not coordinate internally, since activities operated independently of each other and were not mutually reinforcing. Work with ag-input dealers could have been combined with demonstration farms and rehabilitated irrigation systems to do a better job of support for the value chain. Nearly all aspects of the value chain were covered, but they were not coordinated into an integrated program. USAID needed to assure greater coordination with other projects and with donors. The Team knows this is difficult, but there has to be a way to do it better.
- In Mali, USAID's project team reported that: *The development of a quality exportable product starts with quality product inputs. Quality cannot be added after harvest; it can only be maintained or lost. Focusing only on the post-harvest aspects of a product, forced TradeMali to depend heavily on other partners. Collaboration with Mali Finance in the targeted commodity sectors has been good. The project looks forward to similar strong collaboration with prodepam, following a series of very positive work planning sessions.*
- *In the Philippines, GEM 2's primary Philippine government counterpart was MEDCo, which was created to promote and coordinate the activities of all sectors supporting development in Mindanao, strengthen interregional linkages, and accelerate efforts to make the economy more globally competitive. MEDCo provided continuous and timely guidance for all of GEM's activities and facilitated successful collaborations with other national government agencies and local government units. MEDCo's support was critical to the success of the GEM 2 Program. GEM 2's accomplishments are due largely to its collaboration with MEDCo, other Philippine government agencies.*
- In Honduras, USAID's project capitalized on the synergies and relationships among the macroeconomic environment, the microeconomic and sectoral environment in which firms operate, and the promotion of competitive businesses and clusters in the two economic corridors. The team concluded that sharpening the focus, setting clear priorities and targets achievable in the short and medium term, and shifting more attention and budget to business development in the secondary cities would allow the project "to benefit more from the potential synergy between its two components and have a demonstrable impact on poverty reduction".
- As the largest donor in Egypt, USAID has been engaged in bringing together the IMF, the EU, Euro-Customs, and other interested donors and entities. USAID has taken the lead in helping the GOE develop strategic management capacity and streamlined procedures. The EU has been supporting customs reform with a cash transfer program and with € 6 million of project assistance that complements USAID efforts. Its assistance has been focusing heavily on training related to the new procedures and IT related to risk management. Meanwhile, the IMF has been providing independent reviews to the GOE and donors on the process and content of technical assistance. Donor activities have been closely coordinated to ensure consistency and complementarity through monthly joint meetings between donors, the Customs Commissioner, and the CRU.
- In Moldova, CNFA and IFAD in October of 2000 signed a Memorandum of Understanding on mutual collaboration of both programs in Moldova. During the initial stage CNFA provided support to the IFAD Implementation Unit in identifying credit experts, development of the program credit policy and promotion of services. Over the duration of the PFPCP program, beneficiaries became IFAD clients and vice versa. To date 20 USAID/CNFA assisted projects received loans from the IFAD Rural Finance and Small Enterprise Development

3. SUSTAINABILITY OF PROJECT MOMENTUM, SERVICES AND BENEFITS

While sustainability is an aspiration that is common to virtually all international development programs, empirical data on what aspects of a project or its benefits persist after donor funding ends is limited, not simply for TCB projects but for USAID and other donor projects across the board. Having limited data on those aspects of projects that are sustained is partly a function of the timing of project evaluations, most of which are undertaken during project implementation or just before funding terminates. Evaluations undertaken before a project ends can speculate on what is likely to persist, or report on the degree to which a sustainability plan has been implemented, but they cannot know for certain what will be sustained. Ex-post

evaluations, undertaken a year or more after a project ends, can answer questions about sustainability, but they are rarely undertaken.

a. Sustainability as Reflected in Project Documents

The MSI evaluation team's procedures for reviewing and extracting information from 256 USAID TCB projects included scanning project documents for references to project sustainability plans and actions taken to implement those plans, as well as end-of-project report and evaluation commentaries on project sustainability. The team did not expect that it would find this type of information in every project, however, given that sustainability plans, while encouraged by USAID, are not mandatory for projects.²⁶

Findings on sustainability from MSI's review of project documents yielded evidence that is not necessarily easy to interpret. On the one hand, as discussed below, project documents do not consistently discuss the sustainability of TCB initiatives. On the other hand, those projects that included narratives about sustainability reflect a deep understanding of and concern about this issue. In this section, the team presents both its quantitative data on sustainability reporting and illustrative qualitative data from project narratives.

In quantitative terms, the evaluation team found discussions of sustainability in project documents for 121 (47 percent) of the 256 projects for which documents were located. Of these 121 projects, 45 (37 percent) explicitly discussed or alluded to project sustainability objectives or plans. The remainder focused on issues that could affect project sustainability or on steps they were taking to deal with threats to sustainability that did not appear to be related to specific plans for ensuring that key features of projects would persist beyond the end of the a project's funding period. The team's review of project narratives further showed that project final reports did not systematically describe progress that had been made over the funding life of a project on its sustainability plan, i.e., a comparison of actual versus planned progress on well-defined indicators of project sustainability.

MSI also examined data on the 231 projects included in the evaluation's statistical analysis of project characteristics, though the evaluation team noted that no statistically significant relationship emerged between project discussions of sustainability and the project performance rankings the evaluation used to compare various types of TCB projects to one another. The team did find, however, that projects with results in the RF 2.1 cluster were statistically more likely to have discussed sustainability in project documents than were projects that focused on results in other Results Framework clusters. Projects that focused only on RF 2.1 results described sustainability planning 78 percent of the time, and projects that included an RF 2.1 in combination with results from other RF clusters discussed sustainability planning 58 percent of the time. Around 30 percent of projects with an exclusive RF 2.2 focus described sustainability plans, but none of the documents found for projects with an exclusive RF 2.3 discussed this issue.

While not all project reports discuss sustainability, qualitative data on project attention to sustainability indicates that, where sustainability is a focus, it is treated as a serious issue. Narratives from reports on four different USAID TCB projects illustrate this point:

- *Efforts to maintain sustainability is a main concern to GTG activities to ensure that sector development doesn't end by the end of the activities. For Agriculture Led Export Businesses (ALEB) and with regard to the associations that play a role in its sustainability, ALEB has continued to work with those that have been identified as the most likely to continue providing their services to the processed food industry:*

²⁶ Current USAID planning guidance (ADS 200-203, updated in 2009) does not explicitly discuss sustainability plans at either the program or project level, but it does include among its "additional help" documents references to earlier sustainability planning guidance, primarily at the program level, which would have been familiar to USAID staff who worked on trade capacity development projects between 2002 and 2006. Guidance available in those years encouraged sustainability planning at the program level. With respect to programs this 1995 guidance explained that *USAID strategies must show how results can be sustained, including human capacities and prospects for institutional, political and financial sustainability over the long term. Improvements in social indicators that are wholly and permanently dependent on USAID assistance, without realistic prospects for independence, do not constitute sustainable development.*²⁶

- *In terms of creating sustainable change at the individual firm level, the Project appears to have been successful. The knowledge acquired by the firms is unlikely to be “unlearned,” especially as it appears to have yielded positive results. However, it does not appear that sustainable change has occurred at the sector level. Despite partner buy-in during the Project, the change in government in October 2006 and thus a change in priorities of one of the lead partners, SEBRAE, has proved an obstacle to sustainability*
- *Sustainability in economic development programs usually flows from creation of sustainable systems. It is unrealistic to expect that NBO, with its primary mandate to provide business development assistance directly to firms, will achieve a great deal in the area of sustainability. However, NBO’s efforts to assist Moroccan companies to expand sales to the U.S. market will have sustainability in strengthening capacity within those individual companies, and perhaps through their success in stimulating other companies, to pursue the U.S. market.*

Describing the institution it was trying to make sustainable, another project wisely wrote:

- *There is...a danger inherent in this approach that must be clearly understood and expectations set accordingly – the danger that, over time, the objectives of the institution may slowly go out of alignment with the objectives of the initiative, and/or the momentum spurred by the project team may slow once it steps back into a more supporting role. Both possibilities can be planned for and positively influenced by small adjustments or interventions, but should not be done at the expense of the institution’s independence. Once an institution is created it quickly becomes, and should become, a separate entity with its own “personality”. Sooner or later the institution will undertake an activity that differs from what the project would like to see happen. This is not necessarily bad and could well be an indication of the institution’s independence and sustainability. Once an institution is independent, the project should focus its assessment on the bigger picture and avoid judgments on the day-to-day or tactical decisions. The question to keep in mind is: Does the institution still share the broader common objective and strategic goals? The trick is to stay engaged just enough to be useful and incentivize the institution to stay true to its founding goals while not threatening its independence. If it is an institution that the project believes is vital to meeting its objectives, then a tighter connection (either management or financial) should be maintained.*

b. Ex-Post Follow-Up on the Sustained Elements of Trade Capacity Building Projects

To improve USAID’s understanding of the degree to which elements of TCB projects (e.g., institutions, services, benefits) funded between 2002 and 2006 were sustained after project funding ended, the evaluation used internet research to identify specific instances of sustainability, as well as queried USAID stakeholders about this issue. Examples of project sustainability that were found online are illustrated below. Discussions with USAID implementing partners and staff during the evaluation’s Stakeholder Consultation period also suggested that, in some instances, local organizations are continuing to provide the kinds of assistance that projects initiated. At the same time, USAID staff and implementing partners cautioned that one should not expect every local support organization, or even every producer/exporter that USAID projects assist, to succeed over the long term. Implementing partners indicated that, in their experience, some of these organizations fail over time, but the skills developed remain assets for the country, and that those individuals involved in support organizations and productive firms that USAID assisted sometimes start up new enterprises that make similar contributions to the country’s development.



USAID assistance helped a Jordanian biomedical firm specializing in wound care expand its exports.
Source: Jordan Business Development Center.

Examples that demonstrate sustainability among assisted organizations include:

- For Jordan, project documents from the Jordan-United States Business Partnership project (JUSBP) which ended in 2006 indicate that: *As part of its sustainability objective and at the request of USAID, IESC helped establish the Business Development Center (BDC). The BDC, which became the successor of JUSBP, is a Jordanian not-*

for-profit organization, which pledged to carry out the development and enhancement of SMEs started by JUSBP. BDC was officially launched in June, 2005. An internet search in 2010 shows that this organization is still in operation functioning much as described in project reports. Current information about this USAID assisted organization is available on its website: <http://www.bdc.org.jo/>

- USAID/Tanzania's Smallholder Empowerment and Economic Growth through Agribusiness and Association Development (SEEGAAD), which was active between 2002 and 2005, *facilitated the development and strengthening of producer associations. Project components included: business skills training; extension support; expanding market linkages; developing associations; and strengthening the enabling environment.* One of the firms that received support on market linkages from this project was the Tanga-based seafood exporting company, Sea Products, Ltd. Project documents reported that *lobster is a high-value commodity with a beach price of \$10/each. Sea Products, Ltd. and the lobster divers in Kigombe village designed a lobster shelter to bring the adult lobster closer to shore using cement casitas. 20 casitas were placed in four groups and Kigombe lobster divers harvest 124 kgs. of lobster in November 2005 which sold for \$1,000. The trial encouraged exporters to put in similar structures in other areas.* A 2010 internet search indicates that Sea Products, Ltd. remains engaged in exporting. Current information about this USAID assisted firms is available on its website: <http://www.seaproductstanga.com/seapro/home.html>
- In Macedonia, project documents for USAID's Made in Macedonia project, which ended in 2005, describe an unexpected effort by local field staff to sustain this project: *As ATA was preparing for project closeout and building ownership of MADE activities amongst other sector participants, ATA field staff announced their interest in continuing the project's mission independently. ATA supported their decision to establish a separate entity, called the Macedonian Artisan Trade Association (MATA) which would continue craft-sector support services. The development of MATA was seen as positive step toward local leadership in the craft sector. ATA also prompted MATA to develop and print promotional materials for the high-profile Annual Holiday Bazaar and worked with MATA as co-organizers in press events during the holiday season to inform the public of the MADE project closing, and highlight the transition of craft sector leadership to MATA.* A 2010 internet search indicates that MATA, the outgrowth of this grassroots effort to sustain project services continues to provide the kinds of services it formed to provide. Current information about this second-generation initiative from a USAID project is available on its website: <http://www.matacraft.org.mk/>

QUESTION 5: TO WHAT EXTENT HAVE THE INTERVENTIONS FUNDED BY USAID SINCE 2002 SUCCEEDED IN ACCOMPLISHING THE PROGRAM'S OBJECTIVES?

This section addresses USAID's question about the extent to which the TCB interventions funded by USAID since 2002 succeeded in accomplishing the program's objectives. USAID's 2003 TCB strategy paper served as the description of program objectives to which USAID's TCB portfolio and accomplishments were compared.

Conclusions:

- USAID's 2003 TCB Strategy Paper was highly influential in shaping the USAID TCB portfolio. Results were achieved on each of the strategy's priorities.
- The usefulness of this strategy paper as a guide to action diminishes as time passes and the base of empirical literature on trade capacity building and U.S. development assistance policy evolves.

The remainder of this section presents evaluation findings that support these conclusions.

I. TRADE CAPACITY BUILDING PROGRAM OBJECTIVES

The evaluation team's approach to determining whether USAID projects overseas had accomplished USAID's TCB program objectives focused primarily on the TCB objectives articulated in USAID's 2003 strategy paper: *Building Trade Capacity in the Developing World*. In this paper, USAID characterized trade and investment as the *principal mechanisms through which global market forces—competition, human resource development, technology transfer, and technological innovation—generate growth in developing and developed countries*. The goal of USAID's TCB strategy, this paper stated, was to *increase the number of developing and transition countries that are harnessing global economic forces [trade and investment] to accelerate growth and increase incomes*. The paper established three priorities for the use of TCB assistance: (a) developing country *participation in trade negotiation*, (b) their *implementation of trade agreements* and (c) private sector *responsiveness to opportunities for trade*. The text box on the following page provides a summary of the program objectives and operating principles and set forth in this paper.

The 2003 Strategy paper is a document with which USAID missions and regional offices are likely to have been familiar. In 2008, USAID issued a new paper entitled *Securing the Future: A Strategy for Economic Growth*, which cites USAID's 2003 TCB Strategy Paper as the principle source of guidance for work in this field. In addition to the 2003 TCB Strategy Paper, the evaluation team reviewed multiyear, mission-level economic growth strategies created between 2002 and 2006 that it found in the "special collections" section of the DEC, including USAID USAID's 2006 *Strategic Framework for Africa*. The team also reviewed number of recent, single year country Operational Plans that USAID provided to the evaluation team from the its internal website. All regions in which USAID works were represented in the country strategy documents MSI reviewed, but not all countries. Further, while USAID shared performance reporting from some countries against standardized performance indicators, detailed country reports on the implementation and results of the strategy papers found in the DEC were not available, as USAID has shifted its style of performance reporting from missions in recent years.

USAID 2003 TRADE CAPACITY BUILDING STRATEGY CONCEPTUAL FRAMEWORK

GOAL: Increase the number of developing countries that are harnessing global economic forces to accelerate growth and increase incomes.

STRATEGIC REQUIREMENTS for benefiting from the global trading system: participation, implementation and economic responsiveness.

1. PARTICIPATION IN TRADE NEGOTIATIONS

- The effective participation of government decision-makers in international trade negotiations
- Regular consultation with the private sector and civil society on trade positions and negotiations
- Domestic support for negotiating positions and the international commitments that result
- Analysis of the effects of trade positions and agreements

To enhance participation, USAID will:

- Increase support for WTO accessions
- Help countries develop trade analysis expertise
- Enhance information resources available to trade analysts in partner countries

2. IMPLEMENTATION OF TRADE AGREEMENTS

Agreements implemented

To support trade agreement implementation, USAID will introduce new program to:

- Promote sound systems of commercial law
- Promote improved customs management
- Establish open and competitive markets in services sectors that are critical to trade

3. ECONOMIC RESPONSIVENESS TO OPPORTUNITIES FOR TRADE

- Individuals and businesses take advantage of opportunities created by trade
- Economic policies strengthened
- Well-functioning economic, political, and legal institutions
- Regulatory policies that affect the way firms compete improved
- Private sector operating practices and strategies improved

To strengthen economic responsiveness to opportunities for trade, USAID will:

- Improve economic policies and institutions
- Transfer technology
- Reduce dependence on exports of unprocessed tropical agricultural commodities
- Assist local private sectors to meet product standards in international markets
- Assist local private sectors to take advantage of preferential market access programs

Operating principles:

- Selection and prioritization of TCB activities at the country level, consistent with Mission Strategic Plans and resources linked to economic growth and poverty reduction;
- New worldwide and regional programs and resources that enhance Mission efforts to facilitate trade negotiations, implement liberalization commitments and expand the benefits of trade;
- All else equal, priority with respect to the allocation of assistance to reform minded LDCs;
- Top priority to projects that help generate local support for trade reforms;
- The bulk of overall TCB efforts will continue to focus on economic responsiveness to trade opportunities.

Accordingly, MSI did not follow-up on a sample of mission-strategies in the manner in which it followed-up on TCB project performance using project performance reports as well as evaluations and USAID audits, where available. Nevertheless, from its review of country strategic plans for 2006 and earlier years the evaluation team was able to determine that in most countries there was a reasonably clear link between TCB initiatives described in country strategic plans and the priorities established in USAID’s 2003 TCB Strategy Paper, as illustrated in Table 23. USAID/Jordan trade strategy from this era, for example, explicitly adopted the three priorities listed above from the 2003 TCB Strategy Paper as the mission’s program objectives for trade. In other countries, trade was not treated as a strategic objective. Rather, improvements in trade performance were treated as intermediate results in missions that selected economic growth as their strategic objective.

Table 23. TRADE AND INVESTMENT IMPROVEMENTS SOUGHT IN ILLUSTRATIVE USAID STRATEGIC PLANS

| USAID Mission Strategic Plans | Program Objective | Performance Measures |
|--|---|---|
| USAID/Morocco (2004-2008) | Strategic Objective 11: Moroccan Economy Successfully Responds to New Opportunities and Challenge of Free Trade | <ul style="list-style-type: none"> • Sales of rural tourism packages to overseas tour operators • Diversification and growth of trade with the United States • Investment flows |
| USAID/Zambia (2004-2010) | Strategic Objective 5: Improved Private Sector Competitiveness in Agriculture and Natural Resources | <ul style="list-style-type: none"> • Value of agricultural and natural resources exports, including tourism receipts • Value of food and non-food agricultural production by USAID-supported groups |
| USAID/Egypt (2000 – 2009: Update 2004) | Strategic Objective 16: Environment for Trade and Investment Strengthened | <ul style="list-style-type: none"> • Non-petroleum exports and imports as a percentage of GDP • Value of selected agricultural exports |

As these examples suggest, the evaluation team found USAID’s 2003 TCB strategy reflected in the mission-level strategy papers it located. Absent detailed follow up reports on country strategies, however, the MSI team could not compare planned to actual performance at that level. Given strong parallels between the country strategies it reviews and the 2003 TCB strategy paper, MSI instead compared this strategy to the large portfolio of projects it had collected to determine whether, in broad terms, whether USAID project pursued and achieved the objectives the 2003 Strategy Paper has identified.

2. ACHIEVEMENT OF PROGRAM OBJECTIVES

Overall, the evaluation team found evidence at the project level across all regions which suggested that USAID’s 2003 strategy paper for TCB had been understood and implemented by missions and regional offices; this includes investing more heavily in the strategy’s third priority, *developing country responsiveness to trade opportunities*, than to the first two. The only strategy paper mandate where the field response appears to be somewhat at odds with the strategy’s intent relates to investments in primary product exports, as discussed below. Findings from USAID TCB projects, described in detail in Part Two and elsewhere in this report, show that USAID not only pursued the three priorities the strategy paper identified, most projects that pursued priority (a) participation in trade agreements and (c) private sector responsiveness to trade opportunities delivered what appear to be strong results. With respect to priority (b), the implementation of trade agreement provisions, the evaluation found documentary evidence showing that the implementation of such agreements was supported by USAID projects.

In the paragraphs below additional findings from this review are summarized in terms of the three priorities identified in the 2003 TCB strategy paper, namely participation in trade negotiations, the implementation of

negotiated agreements, and responsiveness, particularly on the part of the private sector, to trade opportunities.

a. Participation in Trade Negotiations

In the 2003 strategy paper, USAID described participation in trade negotiations as follows:

Government decision-makers, in consultation with the private sector and civil society, need to understand the substance and modalities of international negotiations, analyze the effect of negotiations on national interests, and build domestic consensus for negotiating positions that reflect those interests.

TCB activities in support of trade negotiations were envisioned as including support for a country's efforts to accede to the WTO, including support for harmonizing its domestic policies, laws, and regulations with WTO requirements. Technical support was also envisioned for the public and private organizations that provide trade negotiators with their analysis of economic impacts and opportunities resulting from trade policy scenarios, as was training in the procedures and modalities required for participation in international trade negotiations.

As discussed above, in connection with RF 2.2.2 *Trade Agreements Signed*, the evaluation team found the participation of developing countries in trade negotiations was supported through 36 (27 percent) of the 135 projects that fostered improved public sector trade practices. Of these, 23 provided support for WTO accession, including assistance in meeting preconditions the WTO had established for applicants. In addition, 10 projects in this sub-cluster provided support for participation in regional trade agreements and four others did the same for countries working towards bilateral trade agreements, including entry into the EU.

Complementing direct assistance for participation in trade negotiations, of the 135 projects with an RF 2.2 focus, the evaluation team identified 59 (36 percent) that included efforts to strengthen ministries, including ministry skills in formulating positions and participating in negotiations. Of these, 46 provided assistance to improve ministry operations, and 25 provided training at the RF 2.2.1.1 level in support of the broad objective: *Institutional Capacity of Ministries Strengthened*. Finally, in connection with RF 2.2.1.2, *Support for Trade Agreements/Policies Enhanced*, the evaluation found that 71 projects with an RF 2.2 focus included at least some element aimed at building public awareness of the benefits to their country of acceding to the WTO. Of these, 43 projects included the development or enhancement of a public-private sector that could advance a country's support for and ability to participate in trade negotiations and sign and implement trade agreements.

b. Implementation of Trade Agreements

In describing its intentions with respect to the implementation of trade agreements, USAID's 2003 strategy stated that:

A country requires both institutional and human capacity to implement commitments made in the course of trade negotiations, acceding to the WTO, or joining a regional trade agreement. Illustrative trade capacity building activities could include assistance in implementing WTO requirements for customs valuation, import licensing, and/or rules of origin; and support for a country's efforts to satisfy licensing requirements of AGOA and other preferential trade programs.

In line with this priority in the 2003 strategy paper, the evaluation team found 37 projects that gave USAID support to governments in implementing trade agreements, above and beyond the 22 USAID projects that focused on improvements in customs administrations, including customs valuation, which are described in greater detail in Part Two, Section V which describes project level results under RF 2.3.2, *Customs and other Border Clearance Procedures Modernized*. The range of WTO agreements for which project documents reported providing assistance to governments included intellectual property rights (TRIPS), government procurement, agriculture, and the application of sanitary and phytosanitary (SPS) measures. Examples of these projects are included above in Part Two, Section IV which describes project level results under RF 2.2.a *Regulations, Systems, Procedures Modified; Staff Oriented*. In addition to assistance to governments, some projects that worked with private sector producer/exporters also focused on SPS requirements, including SPS training projects

implemented for USAID by USDA. Similarly, the U.S. Department of Commerce, with partial funding from USAID, provides trainings and related assistance that focuses on intellectual property rights and procurement transparency. Other projects in this cluster addressed developing countries' ability to meet standards in regional trade agreements, such as those of the European Union. In addition, regional and bilateral trade agreement projects, such as the USAID-funded trade hub projects in Africa, have centered at least in part on familiarizing both public and private sectors with trade agreement requirements.

Insights shared with the team during the evaluation's Stakeholder Consultation period by USAID stakeholders suggests that USAID assistance to governments on the implementation of trade agreements tends to be responsive to government priorities. This view as to how USAID becomes involved in projects that help governments implement trade agreements is consistent with the evaluation's observation that post-accession assistance on the implementation of trade agreements, other than customs, did not seem to have a dominant technical focus.

Related to this observation, the evaluation team also noted that, while a good deal of guidance material can be found online on modernizing customs—including through USAID's TCBoost project website—there is limited “how to” or best practice guidance readily available to USAID field staff on how best to structure a project that focuses on implementing most other types of WTO agreements. Addressing what seems to be a guidance and best practice gap for developing countries—and not just for USAID staff—is not necessarily USAID's responsibility, but may instead more properly be a focus for a U.S. government-wide discussion (or for discussion by the WTO/OECD donor group of which the U.S. is a part).

With respect to fostering mission efforts to help governments implement trade agreements, consistent with the USAID 2003 TCB strategy, the evaluation team also noted what might be thought of as a missed opportunity, namely, making better use of information on opportunities for improving trade agreement implementation that can be gathered from WTO trade policy reviews or from USTR's annual publication, the *National Trade Estimate Report on Foreign Trade Barriers (NTE)*. These sources are helpful in identifying challenges countries have been experiencing in implementing WTO agreements. While not necessarily comprehensive in its coverage of countries, USTR's *National Trade Estimate Report on Foreign Trade Barriers (NTE)* routinely identifies trade agreements that developing countries appear to be having difficulty implementing. As these reports show, new WTO members are not the only countries with progress to be made on implementing their WTO agreements. A number of countries that were founding members of the WTO in 1995 have not taken all of the steps needed to fully implement one or more WTO agreements.

c. Economic Responsiveness to Opportunities for Trade

In its 2003 strategy paper, USAID provided an extensive description of the types of projects it hoped missions would undertake. In describing the types of projects that fell under this priority, USAID highlighted:

TCB activities aimed at enhancing economic responsiveness, competitiveness, and productivity are sometimes called “supply-side” or “behind-the-border” assistance. These activities may address a wide range of development needs in the public and private sectors—from helping governments create a competitive and enabling environment to supporting local enterprises' abilities to identify and produce goods and services the world is willing to buy. Examples of projects in the public sector include: increasing competition in transportation, telecommunications, and other trade-related service sectors; strengthening commercial law; developing the financial sector, including reforms in banking and securities markets and implementation of laws and regulations that protect and promote trade-related investment; strengthening competition policy and antitrust laws, and building institutional capacity to address anticompetitive monopolies. Examples of projects in the private sector include: assisting sector and industry clusters to identify and address constraints to participation in international trade; developing efficient and competitive business development services, including enterprise and trade finance, insurance, advertising, marketing, and freight forwarding services; improving agricultural producers' capacity to meet international sanitary and phytosanitary (SPS) standards and regulations; helping firms obtain and analyze international market information, linking them with international “enterprise networks” and developing local commercial and labor skills; and remove barriers to the establishment and growth of small and medium-sized enterprises.

In addition to describing the types of activities it hoped to support under this third priority, the USAID 2003 strategy paper made it clear that private sector export development was to receive a disproportionate share of funds available for trade capacity building, i.e., “*the bulk of overall TCB efforts will continue to focus on economic responsiveness to trade opportunities.*”

The evaluation’s analysis of mission programs shows strong compliance by with this funding emphasis. Of the funds spent on the 256 TCB projects the evaluation examined, \$1,731,321,025 (73 percent) was spent on activities in projects that focused on private sector responsiveness to trade opportunities under RF 2.1 in the Results Framework. Were it not for the specific mandate in the 2003 strategy to spend most heavily on this priority, the evaluation team might have described USAID’s TCB portfolio as favoring assistance to private sector exporters. Given this mandate, however, the degree to which missions and regional offices favored projects that focused on trade opportunities seems to reflect their knowledge of and compliance with the strategy’s mandate.

(1) Projects that Provided Direct Assistance to Producers Engaged in Trade

With respect to the types of projects the strategy paper encouraged in relation to this third priority, most of the examples the evaluation documented were private sector projects. Among these, 124 (59 percent) of the projects that were examined and had a private sector focus) involved assistance aimed directly at helping firms increase their participation of firms in international trade. Of these, 50 projects employed a cluster approach for working with firms.

In addition to noting the predominance of projects focused on the 2003 strategy paper’s *responsiveness to trade opportunities* in the USAID’s TCB portfolio during the years on which the evaluation focused, two other findings about this segment of USAID’s TCB portfolio warrant further discussion, as they raise issues in relation to certain aspects of USAID’s 2003 strategy paper. These findings (discussed below) concern the degree to which USAID projects directed at trade opportunities emphasized agriculture relative to other sectors, and the degree to which agriculture projects centered around traditional crops.

(2) Projects that Supported Knowledge/Skill Improvements

Among the projects the evaluation team reviewed, 34 provided firms with information about trade-related technical requirements and standards, and 13 of these included training on sanitary and phytosanitary (SPS) standards. In addition, USAID funded USDA to provide SPS training overseas in support of USAID TCB programming in many countries, particularly in Africa. In addition, under RF 2.2.1, discussed above, the evaluation identified 92 projects aimed at helping firms to understand international market opportunities through training programs, participation in trade fairs, market analyses, and other knowledge building activities. Additionally, 130 projects examined provided training and technical assistance aimed at improving basic business practices to private sector firms engaged in export/import. The team also found 52 projects that reported on activities or results related to improving firms’ access to and use of information technologies.

(3) Projects that Fostered Improvements in Trade Facilitation

In addition to projects that worked directly with exporters to respond to trade opportunities, the evaluation found 10 projects supported private sector trade facilitation efforts. These projects, discussed earlier under RF 2.3.1, supported improvements in tracing shipments and introduced purchase order trade finance mechanisms and improvements in trade logistics. Relative to other sub-clusters the evaluation examined, RF 2.3.1, with its emphasis on improvements in professional services for exporters/importers, was addressed by relatively few projects—especially with respect to the value assigned to private sector trade facilitation activities in 2003 strategy paper.

This issue was raised with USAID staff and implementing partners during the evaluation’s stakeholder consultation period. Although these discussions yielded a few additional examples project assistance directed at trade facilitation, they also served to highlight how infrequently projects have considered intervening to

improve efficiency among those firms that provide such services, even though such interventions are considered to be routine when the project focus is on export development. None of the implementing partner participants in stakeholder consultation sessions could recall, for example, instances of USAID efforts to work with trucking firms to improve the efficiency with which they move products from farms or rural industries to and across borders.

In addition, as indicated above, the evaluation identified but did not closely examine projects that focused on economy-wide improvements in competition policy, commercial law, banking system improvements, etc. Projects with economy-wide effects, which were treated as contributing to critical assumptions in the Results Framework, also play a role in fostering trade expansion.

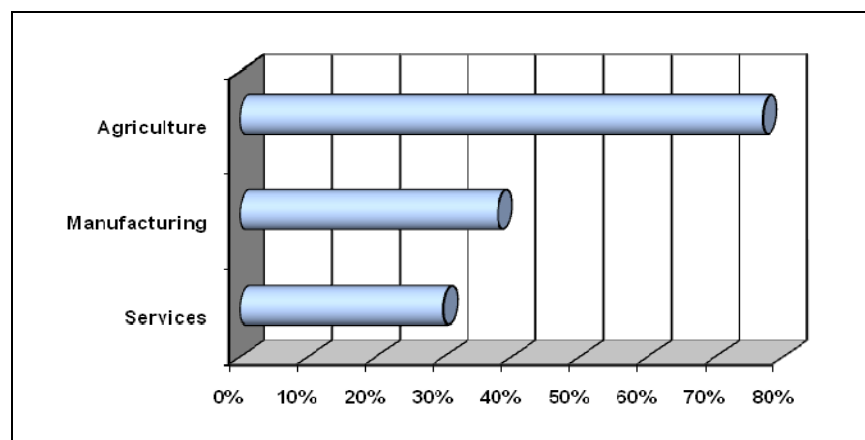
d. Sector and Product Emphasis in USAID Export Projects

This section further explores two characteristics of USAID's TCB export project portfolio in relation to the intent expressed in the 2003 TCB strategy paper. As noted above, USAID's TCB investments over the study period favored projects that focused on improving the trade capacity and performance of private sector firms, i.e., RF 2.1. This emphasis in the TCB portfolio was justified by an explicit mandate in the 2003 strategy paper. But, as noted above, the team also noted a strong bias in the portfolio in favor of agricultural exports, and, among these, an emphasis on traditional, unprocessed agricultural exports. As neither of these characteristics were explicitly mandated in the 2003 TCB strategy, they are examined in further detail below in relation to that document.

(1) Dominance of Agriculture in USAID's TCB Portfolio

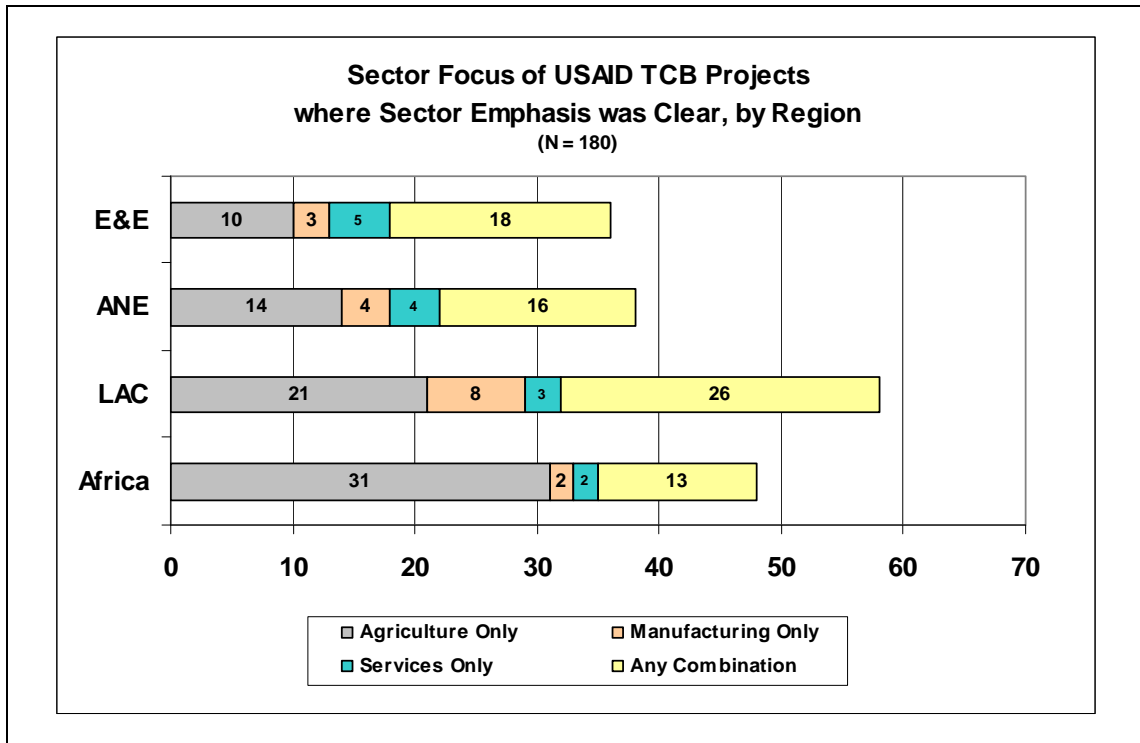
Among the 181 projects with a sector focus, 141 (78 percent) included a focus on agricultural products, either alone or in combination with a focus on other sectors, as Figure 38 illustrates. This is a significant proportion compared to the 37 percent that focused on manufacturing (though not necessarily only on that sector), and 30 percent that focused on services.

FIGURE 38. PERCENTAGE OF USAID TCB EXPORT-ORIENTED PROJECTS THAT INCLUDED PRODUCTS FROM SPECIFIC SECTORS (2002-2006)



The degree of TCB project concentration on agriculture varied by region, with the strongest concentration on agriculture found in Africa. At the same time, as Figure 38 illustrates, the agricultural sector was the main focus for most TCB projects in all of the other regions, as well. Figure 39 below shows this distribution of projects by sector and region.

FIGURE 39. SECTOR FOCUS OF USAID TCB PROJECTS (WHERE SECTOR EMPHASIS WAS CLEAR), BY REGION
(n=180)



USAID has historically worked with developing countries to improve agricultural production, often with food security in mind, using funds allocated each year for that purpose, and as a result USAID has greater expertise in agriculture than in any other sector. USAID does have experience in manufacturing and the service sector but, in contrast to agriculture, it has no specific annual internal budget for work in these sectors. Prior to USAID’s identification of TCB as a distinct field, USAID projects that supported manufacturing and services tended to be funded using general economic growth funds or funds for private sector development in years when resources were allocated for that purpose.

In the 2003 strategy paper, the evaluation team did not find an explicit mandate directing missions and regional offices to invest more heavily in one sector than another when helping developing countries respond to trade opportunities. In the same time period during which the TCB strategy statement was released, the evaluation team noted, studies were published that showed that countries that were improving their growth rates based on expanded trade were those that had shifted their export production towards manufactured goods. For example, in the 2002 edition of the World Investment Report released just as the Doha Round started, UNCTAD concluded that “the export repertoire of the winner countries has generally shifted, from primary to manufacturing products and from low- to medium- and high-technology manufactures.”²⁷ In this context, it seemed possible to the evaluation team that USAID might, hypothetically, have invested its TCB resources in nearly equal proportions in agriculture, manufacturing, and services—or even perhaps somewhat more heavily in manufacturing for export than in other sectors.

This is not to say that agriculture is unimportant. Despite continuing debates in the literature, there is clear evidence that improvements in agricultural productivity and diversity contribute to domestic economic

²⁷ UNCTAD World Investment Report 2002 available at http://www.unctad.org/en/docs/wir2002_en.pdf

growth. Studies, including a 2005 report from the Center for Global Development confirm the value of agricultural productivity and diversification from both an economic growth and poverty reduction perspective.²⁸ Nevertheless this volume, along with UNCTAD’s 2002 World Investment Report, cited above, suggests that a shift away from commodities and toward manufactures—and a shift in all product lines from lower to higher value-added and quality—is strongly supported from an export-earnings and “export contribution to economic growth” perspective.

Even after accounting for USAID’s historical involvement in agriculture, the evaluation team could not arrive at a clear explanation in TCB program and project documents for why nearly three-fourths of USAID TCB funding for responsiveness to trade opportunities focused on agriculture. This led the evaluation team to examine the 2003 TCB strategy paper more carefully and to discuss this issue with USAID staff and implementing partners during the Phase III Stakeholder Consultation period.

Agriculture

Through that type of analysis that is used to examine political speeches, a more careful reading of the 2003 TCB strategy paper revealed that agriculture was mentioned far more frequently in that document than manufacturing or services exports. Furthermore, the language of the document emphasized a linkage between agriculture and poverty reduction, e.g. “*in low-income countries, projects that support trade in agriculture are likely to have significant poverty reduction benefits.*”

In this same vein, USAID stakeholders fairly consistently, during sessions in Washington and in response to the e-survey told the evaluation team that they viewed agriculture as a better choice for TCB investment in the countries in which they worked because of their “level of development” and agriculture’s more direct and immediate impact on poverty. More specifically, stakeholder responses fell into three groups.



Coffee Beans Drying in the Sun, Bicumbi, Rwanda.
Source. Nick Fraser, for the USAID SPREAD Project

- The first cluster of stakeholder responses was theory-driven, based at least in part on the Rostow (1960) “stages of development” view hold that countries cannot succeed in manufacturing until their agricultural sectors are sufficiently productive to generate the labor surplus needed for manufacturing. As one of the e-survey responses put it: *usually agriculture related projects are needed at the first stage...after obtaining some results in agriculture it is possible to move on and start working with manufacturing sectors.* This view of the development process was consistent among stakeholders; it was offered by USAID implementing partners in at least two of the three stakeholder sessions held with representatives of that stakeholder community, as well as being expressed in stakeholder sessions with USAID Washington staff.
- A second response the team encountered was that the emphasis on agriculture stemmed from an interest in demonstrating the poverty impact of projects. Thus, although empirical studies tend to show that trade has its strongest impacts on poverty when improved trade performance results contribute to a higher economic growth rate on a sustained basis, USAID staff and implementing partners describe themselves being more inclined to choose TCB projects in the private sector over other types of TCB projects—and, within the private sector, to focus their efforts in the agricultural sector—because they see it as the focus that is most likely to allow them to report on poverty-related gains. Two responses from the study’s e-survey of missions illustrate this view, which was also widely held among implementing partner representatives in Washington discussions.

²⁸ C. Peter Timmer. “Agriculture and Pro-Poor Growth: An Asian Perspective” Center for Global Development. Working Paper 63 (2005) available at http://aideffectiveness.zunia.org/uploads/media/knowledge/AidEffectiveness/file_WP63_1.pdf

- *The effect of \$1 invested in agricultural products – in terms of reaching large numbers of people – is better than with manufactured goods.*
 - *A significant portion of the population for which agriculture is a “way of life” has been left out of the development process. Improving the productivity and inclusion of these marginalized populations while building trade capacity fits with USAID priorities....*
- The third type of response received on this question suggested that manufacturing projects are not as likely to be selected because of their cost and the time they require to show results—years rather than a single crop season. In addition, there is a sense among USAID staff and partners that manufacturing requires a readiness they are not seeing in some of the situations in which they work. As one e-survey respondent put it: *Often these countries do not have sufficient resources (both human and capital) to compete in the manufacturing sector. Manufacturing requires solid capital and resources and is therefore more attractive for private sector investors (foreign and domestic), or projects done under a GDA model, than for mission projects with a TCB focus.*

Taken together, these findings suggest that USAID’s high level of TCB investment in agriculture may be a function of a perception of agriculture’s role in economic growth and poverty reduction that is shared fairly widely, though not universally, by USAID staff and TCB implementing partners.

Manufacturing

Manufacturing received a relatively low share of the TCB funds USAID missions invested in responding to trade opportunities. In the 2003 TCB strategy paper, manufacturing is discussed only once:

- *A separate review of research more specifically focused on gender concludes that the direct effect of trade expansion on employment opportunities and wages appears generally to favor women, particularly in manufacturing and service sectors. Although the jobs pay significantly less than they pay in the developed countries, they usually pay more than the local ‘going rate.’*

Discussions with USAID staff and implementing partners during Phase III, described above, also helped clarify why USAID’s TCB investment in manufacturing was so low relative to agriculture. In addition to reporting that manufacturing requires a higher level of investment to produce export success, USAID implementing partners noted that USAID’s need for quarterly performance information—“quick results”—favors investments in agriculture. Implementing partners also agreed with the USAID staff view that manufacturing investments were generally viewed as generating fewer jobs than agricultural investments, particularly for the poor.

Services

Like manufacturing, services exports received minimal attention in the strategy paper. Including the quote above, the evaluation team found four references to services exports, including tourism, in the 2003 policy paper. Half a dozen of these references focused on the liberalization of domestic services markets to ensure compliance with WTO agreements. The other half a dozen that focused domestic firms that provide trade-related advice and business services to local exporters MSI counted only three references in the 2003 TCB strategy paper focused on services exports in the strategy paper, i.e., the one quoted above and two others.

(2) TCB Investments in Traditional Crops

In addition to focusing a significant portion of its TCB resources on agricultural products, some USAID TCB export promotion projects focused on traditional crops. In Part Two, Table 38 describes the range of agricultural products USAID products promote at the two-digit SITC level. On a more detailed level, Table 24 below highlights the subset of agricultural crops that USAID supports that are most clearly traditional export products. What makes the presence of these products in USAID’s TCB portfolio noteworthy is that USAID’s 2003 TCB strategy paper explicitly stated that:

USAID will ...reduce dependence on exports of unprocessed tropical agricultural commodities.

Table 24. UNPROCESSED AGRICULTURAL COMMODITIES PROMOTED BY TCB PROJECTS

| SITC Code 3 digit Level | Traditional Products Exported by USAID-Funded TCB Projects | Number of Citations of Exports of Products in this Product Group Across 97 USAID TCB Projects that Reported Export Earnings |
|------------------------------------|---|--|
| 042 | Rice | 2 |
| 044 | Maize (not including sweet corn), unmilled | 7 |
| 054.4 | Tomatoes, fresh or chilled | 7 |
| 054.59 | Other vegetables fresh or chilled – specifically peppers, chilies | 6 |
| 057.98 | Other fruits, fresh, specifically mango | 8 |
| 057.3 | Banana | 8 |
| 057.95 | Pineapple | 6 |
| 071.1 | Coffee, not roasted, whether or not decaffeinated; coffee husks and skins | 21 |
| 072.1 | Cocoa beans, whole or broken, raw or roasted | 7 |
| 263 | Cotton | 5 |

The presence of a large number of projects supporting traditional export crops contrasts sharply with this statement, irrespective of whether those projects yielded export earnings. This was the only aspect of the 2003 strategy paper that the portfolio of projects the evaluation team examined seemed in violation of (despite the fact that, in some instances, the farmers with whom USAID works may be earning a reasonably good return on their efforts). USAID investments in these unprocessed agricultural products, some of which are more clearly tropical in nature than others, were not balanced in the portfolio by investments in agricultural processing. Only a few projects reported on exports of agricultural products that added value through processing, e.g., extra virgin olive oil.

In addition to this set of traditional crops, projects identified other unprocessed products on which they focused, i.e., 39 projects focused on vegetables and fruits, including peas, beans, onions, watermelon, cantaloupe, squash, cucumber, okra, potatoes, apples, peaches, papaya, and coconut. Only a small number of projects specifically identified what might be considered specialty or niche market crops, such as wild mushrooms, French beans, Chinese eggplant, mini-squash, or palm hearts.

Among traditional products supported with TCB funds, coffee in particular stood out as a focus of 21 projects, only a few of which involved repeat projects in a single country. Some, but not all, of these projects described the coffee involved as being high-grade or specialty coffee (such as that grown at a high altitude, etc.). Several of these coffee projects developed links with particular firms, including Starbucks, that brand coffees by country of origin within their product line.

Both during its stakeholder consultation sessions in Washington and in e-survey sent to USAID mission staff during Phase III of the evaluation, the MSI team raised this issue to better understand why investments in traditional agricultural products were receiving assistance in field projects. Evaluation team questions on products such as pineapples, bananas, and coffee—as well as products such as unprocessed vegetables and wood—elicited two sets of responses. The first related to USAID staff and implementing partner perceptions as to what was possible in the country situations in which they were working, suggesting a view that, if one wants to focus TCB efforts on poor rural producers, it is not necessarily possible or even desirable to encourage them to shift to new products, and thus that assistance directed at producing traditional products more effectively is appropriate. As one e-survey respondent put it:

- *It is practically impossible to convince a farmer that worked a long period with traditional crops to switch to other crops. It is necessary to build a level of trust. After teaching him how to do his work better and managing to gain the needed trust, it is possible to start teaching a farmer other techniques of doing his business, including switching to other more profitable crops.*

The second set of responses given addressed how TCB projects are changing the way traditional crops are produced and marketed. Examples for a range of traditional products were offered to illustrate how TCB projects were helping producers add value to traditional products, shifting them into more “upscale” niche markets. For example, in one project that grows pineapples in Africa, a USAID Implementing Partner reported, the variety of pineapples grown has changed: farmers are no longer growing pineapples that are sold whole, with beautiful crowns. Instead they are growing a stubby crown variety, with the pineapples are being cleaned and sliced near the fields, packaged, and shipped to Marks and Spencer for sale on a ready-to-eat basis. In response to illustrations offered by stakeholders of the non-traditional ways in which traditional commodities are produced, processed and marketed in TCB projects, MSI reexamined project documents during Phase III of the evaluation, specifically looking for these types of examples. This reexamination brought forward several confirming cases, as indicated below, though it did not indicate that in every instance traditional commodities were being produced or processed in new or “upscale” ways.

- Documentary evidence from a project in Nicaragua that focuses on bananas differentiates itself from traditional production by focusing on an upscale niche market for produce certified by Whole Foods market under their Whole Trade Guarantee program. *Under the project, we certified 24,354 hectares of bananas, which is a 212% increase over the project baseline, and includes all of the independent banana producers that supply Chiquita. However, due in part to the reduction of hectares under production because of flooding and hurricanes, this area only represents 94% of the project target. However, we certified 108 operations, versus our target of 100.*
- A USAID coffee project in Mexico combines both a niche-market focus and environmental conservation practices that differentiate it from traditional coffee production. *The purpose of the Conservation Coffee program is to provide incentives to farmers to adopt a set of land use practices (best practices) that increase farm income and conserve biodiversity. The major incentives come through the value chain, through an alliance with Starbucks Coffee Company (Starbucks), which pays a premium price to farmers adopting the practices: (1) at origin -- it create new incentives that encourage farmers to produce high-quality coffee while adopting the Best Practices; (2) in the supply chain – it ensures that service providers maintain the integrity of that coffee while efficiently and transparently transferring it to buyer and (3) with consumer – it builds Starbucks’ market for high quality coffee so that its customers create the demand that drives the Conservation Coffee incentive system.*

Multiple examples of arrangements with Starbucks were found in USAID TCB projects that focus on coffee. For other products, including wood products, certification programs represent a value-added feature in terms of the markets into which projects sell traditional products. With respect to the relatively large number of USAID TCB projects with an emphasis on vegetables, market opportunities for out-of-season and specialty vegetables lie at the heart of projects that do not otherwise move rural production beyond the export of unprocessed agricultural commodities. Fruit juices are one of a limited number of products where TCB projects reported a processing addition to traditional agricultural production. A USAID projects that freezes shrimp in Bangladesh for export is another example that was offered in this vein by USAID staff in response to the evaluation’s e-survey during the stakeholder consultation period. Another e-survey respondent highlighted wine as an agricultural product that received attention with TCB funds and involves the processing of raw agricultural materials.

While the examples above help to explain how TCB project investments in traditional crops are viewed at the mission level, the evaluation team was not able to determine whether upscale versions of these agricultural products for niche markets are likely to be protected when prices for coffee and other traditional crops fluctuate in international markets.

QUESTION 6: HOW CAN USAID INTEGRATE MONITORING AND EVALUATION INTO THE DESIGN AND IMPLEMENTATION OF TCB PROGRAMS MORE SYSTEMATICALLY?

This USAID evaluation question asks the evaluation team to make recommendations for improving the monitoring and evaluation of TCB projects and programs. In order to provide those recommendations, MSI started by examining current TCB monitoring and evaluation (M&E) practices. This section presents conclusions and findings based on that current practices review. The evaluation's summary of conclusions presented throughout this report and its recommendations on monitoring and evaluation are included with other evaluation conclusions and recommendations in Part One, Section IV.

Conclusions:

- TCB performance management practices would benefit from fuller implementation of USAID guidance on developing Results Frameworks, setting performance targets, and collecting baseline data.
- TCB evaluations are limited in number, as well as in the strength of the evidence they bring to bear. In this regard, current evaluation practice for TCB resembles current evaluation practice elsewhere in the Agency.

The remainder of this section presents evaluation findings that support these conclusions.

I. PERFORMANCE MANAGEMENT IN USAID

In USAID, monitoring and evaluation are elements of a comprehensive “managing for results” system through which program and project design, implementation, monitoring and evaluation are linked to help ensure the effectiveness of USAID development assistance. In this comprehensive system, as laid out in Series 200 in USAID’s ADS, the starting point for result-focused management is a well-articulated description of a program’s theory or logic that presents the development hypotheses and the critical assumptions upon which the achievement of key development results rests. Program theory in USAID is described graphically at the program level with a Results Framework, and at the project level with either a lower-level Results Framework or a 4 x 4 Logical Framework matrix. Only when the logic of a program or project is clear is performance monitoring and evaluation brought to bear.

This evaluation used USAID’s Results Framework approach to develop and graphically display the hierarchy of results on which TCB projects focus. Evidence from published studies about the development hypotheses in the evaluation’s TCB Results Framework were also reviewed as it was developed. Use of tool in the evaluation helped MSI document and understand how USAID staff and implementing partners monitor TCB projects, and where weaknesses in performance measurement and evaluation lie.

2. TCB PERFORMANCE MONITORING

Since 2001 when the Development Agenda of the Doha Round of multilateral trade negotiations identified TCB assistance to developing countries as a priority for developed country donor organizations, the question of how best to monitor donor investments in TCB projects and programs has received considerable attention. WTO/OECD joint task force meetings have focused on this issue, as have symposia organized by the World Trade Organization’s Committee on Trade and Development Aid for Trade, in which the U.S. government (including USAID) regularly participates. OECD member countries and multilateral donor organizations now track their funding for TCB and report annually on levels and types of TCB assistance to

the OECD: the U.S. TCB Database is an example in this regard. In addition, the WTO has begun publishing regular *Aid for Trade at a Glance* reports, including for 2009.²⁹

Internationally, however, minimal progress has been realized with respect to substantively monitoring the outcomes of TCB activities. In OECD/WTO meetings, participants have discussed using results chains, or what USAID calls Results Frameworks, to identify intended outcomes and associated performance indicators. While meeting reports indicate that donors find these tools relevant, the OECD/WTO also reports that differences among donors with respect to the outcomes they view as being of the highest priority are likely to preclude the development and adoption of a single multi-donor results chain or framework. Nevertheless, general agreement does exist on the types of outcomes that would be desirable—such as better integration of trade into development planning, improved trade performance, and poverty-alleviation (even as an indirect result)—which has encouraged individual donors, as well as OECD/WTO sponsored meetings and research papers, to address and examine performance indicators for these types of outcomes.³⁰

In USAID, performance monitoring for TCB programs overseas (meaning country-level strategies) and for projects is guided by Agency-wide M&E guidance contained in the Automated Directives System (ADS), Chapter 203. USAID does not have TCB specific M&E guidance that supplements these Agency-wide directives. In this evaluation, MSI focused more heavily on TCB performance monitoring at the project level than it did at the program level, due in part to changes since 2006 in the way USAID programs overseas, meaning country TCB strategies, are developed, monitored and reported. USAID program level performance monitoring is discussed briefly below before turning to TCB project performance monitoring.

a. Program Level TCB Performance Monitoring

As explained in above, USAID's performance monitoring approach at the program level has been in flux for several years. Between 1990 and the early 2000s, USAID required that overseas posts prepare detailed annual reports on performance indicators associated with Results Frameworks they developed, normally once every five years as part of the country strategic planning process. As a companion to its country strategic plans, USAID missions prepared performance management plans (PMPs) that specified the performance indicators that would be tracked for results included in Results Framework and were expected to set performance targets for those indicators. Until 2006, USAID missions were required to submit detailed annual reports that compared actual performance to targets.³¹

As noted above, this system changed after 2006, when an effort to better integrate the work of the USAID and the Department of State, including through joint State-USAID planning, budgeting and reporting processes. These new process included a shift toward shorter planning cycles and introduced standard performance indicators to be used on a worldwide basis facilitate the aggregation of information on results in various program areas.

To manage data on standard indicators, USAID introduced an internal tracking system called FACTS. While data in this automated system serves certain USAID purposes, these data are not particularly useful for assessing the status of country level programs on an individual basis. Among other things, many of the

²⁹ This publication is available online at http://www.wto.org/english/res_e/booksp_e/aid4trade09_e.pdf

³⁰ The most formal of these papers is a report entitled *Aid for Trade: Matching Potential Demand and Supply* by *Elisa Gamberoni and Richard Newfarmer* which was prepared as a background paper for the WTO's Expert Group Meeting in 2008 at which options for monitoring TCB outcomes were discussed. Indicators suggested by this study for multi-donor consideration were included among the measures examined in the regression analysis undertaken for this evaluation.

³¹ These reports, called R4s, were used by USAID to carry out a 2004 review of several types of TCB projects, Fox (2004) that was published by USAID's then Center for Development Information and Evaluation (CDIE) as a series of four documents (i.e., an overview and subject volumes on WTO agreements, regional trade agreements and behind the border results from trade capacity building activities). This set of reports can be downloaded from the DEC using the call numbers PN-ACT-167, PN-ACT-168, PN-ACT-169 and PN-ACT-170.

standard indicators the FACT system tracks are worded in a way as to track the marginal impact of USAID assistance. For example:

- The standard indicator *number of trade-related business associations that are at least 50% self-funded as a result of U.S. government assistance* is not structured in a way that will help USAID understand whether trade associations in a country are, as a group, becoming more viable. If this is a new area for USAID, the baseline is zero. Performance tracking on this standard indicator might show that 10 associations become stronger with USAID assistance over a period of several years, but it is not clear from that number alone whether the 10 trade associations that are reasonably self-sufficient by the end of that period represent 5 percent or 50 percent of the total number of trade associations. Knowing that 10 have improved conveys little about the scale of the problem or the degree to which 10 improved associations make a dent in that particular problem.

Despite the introduction of these new processes, USAID's requirement for Results Framework and PMPs at the program level remained part of the ADS. In 2009, USAID updated those directives, reemphasizing the importance of Results Frameworks and recommending the reintroducing a tool that USAID called a Logical Framework as a project level companion to a mission Results Framework. In addition, USAID and the Department of State have begun to develop multi-year joint country strategies for some, but not all, countries in which assistance is provided. Currently, USAID requires missions to report performance reporting against standardized indicators, including Agency-wide trade indicators, but detailed annual reports from mission on program and project performance not required.

As a result of these changes, it was difficult to obtain a sufficient number of comparable program-level planning and performance reporting documents from missions to carry out the type of detailed analysis of TCB initiatives at the program level, and comparable to what the evaluation did at the project level. Nevertheless, as noted in the previous section, MSI was able to find examples of USAID program-level strategies for economic growth or TCB more specifically for some missions and it used those documents in its analysis of the degree to which USAID had implemented the suggestions made in its 2003 TCB strategy paper.

b. Project-Level Performance Monitoring

As compared to USAID's ADS guidance for monitoring TCB performance at the program level, from the early 1990s to 2009 project-level guidance was considerably less formal.³² During most of the period covered by this evaluation, USAID ADS guidance described program-level M&E requirements, but did not explicitly describe parallel requirements at the project level. In practice, however, USAID staff used existing program-level M&E guidance to cover projects as well. They did this on a case-by-case basis, by including requirements for Results Frameworks or other types of logic models, PMPs, performance reporting, and evaluations in solicitations and in contract/grants. While project-specific requirements for performance monitoring followed a general model, they were not uniform.

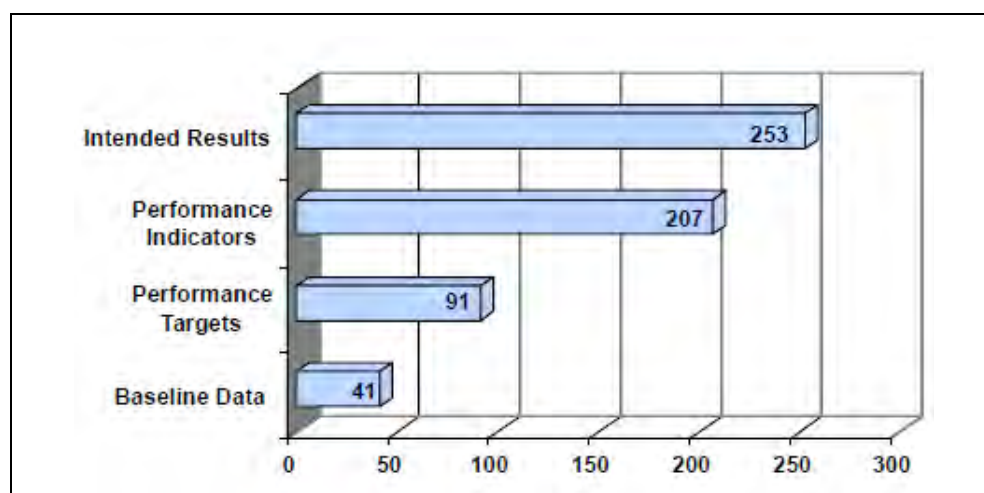
For each of the 256 projects the evaluation examined, the MSI team extracted information about project-level intended results, performance indicators used to monitor progress toward intended results, baseline data, and performance targets (to the extent that the available project documents included them). In other words, the evaluation inferred from what was discussed in project documents the performance monitoring requirements USAID had imposed in specific cases. MSI did not have available or review project assistance solicitations or contract and grant documents.

While MSI recognized that requirements for performance monitoring may have differed from project to project, it nonetheless compared all projects to the performance monitoring standards established in

³² USAID's 2009 update of the ADS reintroduced the Logical Framework as a project design and M&E tool that includes performance indicators and in ADS 203 it added language on performance monitoring to cover projects as well as programs.

USAID’s ADS. Comparing all projects to this common norm was the only practical way to rate performance monitoring practices across TCB projects. Accordingly, for each TCB project, MSI examined project documents for evidence of (a) the existence of a hierarchy of intended results (displayed as a Results Framework or articulated in any other way), (b) performance indicators, (c) performance targets on a life-of-project or annual basis, and (d) baseline data on the status of project areas or beneficiaries prior to the delivery of TCB assistance. Figure 40 displays the evaluation findings for 256 projects against each of these project performance monitoring system elements. The evaluation team gave projects credit for conforming to each of these norms if it was able to locate at least one statement within project documentation on an intended result, indicator, target, or element of baseline data. Thus the findings presented in Figure 40 do not address the question of completeness, but rather indicate whether these elements of USAID’s performance monitoring approach at the program level were understood and being used, at least to a degree, in USAID TCB projects.

FIGURE 40. FREQUENCY WITH WHICH USAID TCB PROJECTS REPORTED INTENDED RESULTS, INDICATORS, TARGETS, AND BASELINES
(n = 256)



As Figure 40 shows:

- Virtually all USAID TCB projects (98 percent) stated at least some intended results clearly enough to meet USAID ADS standards;
- 81 percent of the 256 projects examined demonstrated that they understood what USAID means by a performance indicator and were able to specify them in relation to their statements of intended results.

From there on, however, practice in TCB projects did not correspond as well to USAID program level performance monitoring guidelines.

- Of the 207 projects that identified performance indicators, only 91 (44 percent) included project performance targets for those indicators. Such targets represent USAID’s attempt to achieving precision with respect to what a project is designed to yield, and it is only when performance targets are articulated, either in a quantitative or qualitative way, that USAID can systematically use performance monitoring to determine whether a project is “on track” in terms of results.
- Baseline data on performance indicator as found for an even lower proportion of TCB projects, i.e., 41 (16 percent).

To better understand why such a large percentage of TCB projects lacked baseline data, the evaluation team reexamined projects where this occurred. In some cases, baseline data was simply not included in any of the project documents the team had found. In other cases, a different issue was involved. This issue involved indicators that were written in such a way as to force the baseline for that indicator to be zero. For example, in a situation where USAID had not previously provided firms with assistance in identifying new export clients overseas, the baseline for indicator that read “number of potential new export clients identified/contacted with USAID assistance” would, by definition, be zero. This approach to writing indicators differs from an approach that tries to establish the status of beneficiary groups prior to an intervention in context. A context-based version of the same indicator might read: “number of potential new export clients identified/contacted by target firms per annum.” In this latter case, the baseline status for the target group might be 10 for the year prior to the start of USAID’s project. In its reexamination of TCB projects that did not have baseline data, MSI found that “zero-based” indicators were fairly common. They also seemed to be more common in projects initiated in later years of the study period, after USAID introduced standard indicators related to the joint State-USAID strategic plan and budget process. Many of these standard indicators are also written in a manner that may lend themselves to defining the baseline as zero for a country or target group as zero.

While a sizeable number of projects did not include performance targets or baseline data, the evaluation team’s review of project documents demonstrated that many USAID implementing partners, both firms and PVOs, are quite familiar with USAID’s performance monitoring approach. While their reports differed stylistically, 45 (18 percent of all 256 projects the team examined), provided clear summaries of their achievement on well-defined indicators with clear targets. A sample of this kind of project performance reporting in contractor/grantee final reports is provided in Table 25.

Table 25. ILLUSTRATIVE REPORTING AGAINST PERFORMANCE INDICATORS AND TARGETS IN USAID TCB PROJECTS

| <i>Benchmark</i> | <i>Outcomes</i> | <i>Achieved</i> |
|---|---|-----------------|
| 1) Facilitate a minimum of \$15 million in trade deals in 2001 and \$18 million in 2002 for a cumulative total of \$33 million for the entire project | 2001 - \$24,548,378 (in trade deals) 2002 - \$12,827,817 2003 - \$818,836 Total: \$38,195,031 | ✓ |
| 2) Facilitate a minimum of \$10 million in investments in 2001 and \$15 million in 2002 for a cumulative total of \$25 million for the entire project | 2001 - \$10,133,280 (in investment) 2002 - \$7,545,951 2003 - \$8,349,500 Total: \$26,028,731 | ✓ |

The evaluation question this section focuses on is “how to systematically improve TCB performance monitoring”; the MSI team was as interested in the indicators projects used as it was in the percentage of projects used them. Information on indicators that field projects have actually used, chosen of their own volition, and reported against is useful for understanding what future projects, including follow-on projects, would find it practical to monitor. To this end, the evaluation team extracted every TCB performance indicator it found in use across 256 projects. It then associated those indicators with levels on the evaluation’s version of a Results Framework for USAID’s TCB program and counted the frequency with which every indicator at each RF level was found in project documents. Indicators found frequently in project documents represent something like a *de facto* vote by missions and USAID implementing partners as to what performance measures are appropriate and practical enough to use at various Results Framework levels.

On the next several pages, the performance indicators found in projects that align with every level of the TCB Results Framework are displayed, along with the frequency with which they were encountered. All of USAID’s standard indicators for trade and investment, save one, are highlighted in italics on these pages. In

some instances, the evaluation team found that, although standard indicators had not been used, something very similar to these had been. Thus in reviewing these tables from a standard indicator perspective, it is worthwhile to note which indicators were not used in projects, as well as also those which were used. Findings on indicators by Results Framework levels are treated as a whole, in Table 26. While lengthy, this table is included in the main body of the report, since it may have immediate value for USAID staff.³³

As these tables indicate, realistic performance indicators exist for all levels of the Results Framework. At some levels there are large numbers of indicators, many of which are somewhat redundant. Others are simply different ways of measuring the same phenomenon. Where several quite different measures of a given result are frequently used, it suggests that USAID staff have not reached a consensus about the best indicator to use for a specific purpose, or it could also suggest that the result is complex and understanding it requires triangulation with several indicators.

Table 26. PERFORMANCE INDICATORS IN USE IN USAID TCB PROJECTS BY RESULTS FRAMEWORK LEVEL

Level RF 0.0: USAID’s Economic Growth Program Goal

| RF 0.0: Rapid, Sustained, Broad-Based Economic Growth In TCB Target Countries | | |
|--|------------------|---|
| MSI Code | Frequency | Indicator Description |
| 0.0-10 | 66 | Number of jobs in targeted firms/sectors/districts |
| 0.0-11 | 24 | Number of Livelihoods (jobs/families supported by those jobs); national or target group |
| 0.0-05 | 23 | Income level of targeted people/population/region |
| 0.0-03 | 12 | Per capita income (GNI/GDP per capita) |
| 0.0-09 | 6 | Number of jobs - National |
| 0.0-14 | 5 | Net revenue of target sector over life of the project |
| 0.0-01 | 3 | GDP |
| 0.0-08 | 2 | Percentage of the population no longer classified as hungry |
| 0.0-13 | 2 | Number of jobs created by FDI |
| 0.0-02 | 1 | GDP Growth Rate (annual %) |
| 0.0-04 | 1 | Per capita income growth rate |
| 0.0-12 | 1 | Unemployment rate |
| 0.0-15 | 1 | Net revenue of target sector over life of the project |

³³ The indicator “amount of private financing mobilized with a DCA guarantee” is not included. There were no instances of this standard indicator being used and the evaluation team could not find a level on the Result Framework where this indicator seemed to be a valid measure of a stated result, and force fitting was not seen by the team as being useful.

Level RF I.1: Trade and Investment Performance

| RF I.1: Trade Performance/Foreign Investment Improved in TCB Target Countries | | |
|---|-----------|--|
| MSI Code | Frequency | Indicator Description |
| I.1-14 | 88 | Exports in targeted sectors/firms/districts - value |
| I.1-15 | 45 | Exports in targeted sectors/firms/districts - volume |
| I.1-36 | 27 | FDI in targeted sector or sectors |
| I.1-41 | 16 | Total value of trade under trade agreements |
| I.1-49 | 10 | Exports to specific market or markets - value |
| I.1-44 | 9 | Exports to specific market or markets - volume |
| I.1-43 | 7 | Exports to specific market or markets - value |
| I.1-35 | 5 | <i>FDI as a percent of GDP</i> |
| I.1-42 | 5 | Value of FDI |
| I.1-53 | 5 | Exports and imports to specific markets - value |
| I.1-01 | 4 | Total merchandise exports - value |
| I.1-07 | 3 | Total services exports - value |
| I.1-11 | 3 | Total exports (goods and services) - value |
| I.1-27 | 3 | Imports in targeted sectors/firms/districts - volume |
| I.1-37 | 3 | Export market share |
| I.1-26 | 2 | Imports in targeted sectors/firms/districts - value |
| I.1-03 | 1 | Total merchandise exports minus extractives - value |
| I.1-08 | 1 | Total services exports - volume |
| I.1-09 | 1 | Ratio of service exports to total exports |
| I.1-13 | 1 | Real growth in exports (g + s, %) |
| I.1-19 | 1 | Total merchandise imports minus extractives - value |
| I.1-28 | 1 | Total merchandise trade (imports and exports) - value |
| I.1-30 | 1 | Total services trade (imports and exports) - value |
| I.1-38 | 1 | Export volume index |
| I.1-40 | 1 | Export market share-competitiveness effect |
| I.1-50 | 1 | Exports to specific market or markets - volume |
| | 0 | <i>Ratio of manufactured exports to total exports</i> |
| | 0 | <i>Total value of imports in targeted sectors in which firms are receiving direct USG assistance to increase their imports</i> |
| | 0 | <i>Total value of exports in targeted sectors in which firms are receiving direct USG assistance to increase their exports</i> |

RF 2.1 Cluster: Private Sector Trade-Related Practices Improved

| RF 2.1: Firm/Industry/Sector Export/Import & Investment Attraction Practices Improved | | |
|--|------------------|--|
| MSI Code | Frequency | Indicator Description |
| 2.1-32 | 51 | Number of international trade and investment linkages formed by targeted firms (contracts signed, for example) |
| 2.1-19 | 39 | Number of targeted firms that obtain certification with international quality control, environmental, or other process standards or regulations (ISO, HACCP, eco-tourism, organic, fair trade, etc) |
| 2.1-34 | 30 | Number of supplier contracts/agreements formed by targeted exporting/importing firms (domestic or international) |
| 2.1-22 | 22 | Number of targeted firms that obtain/use other certification for marketing purposes ("Seal of Quality", "Certified Macedonian Butter", etc) |
| 2.1-35 | 17 | Monetary value of supplier contracts/agreements formed by targeted exporting/importing firms (domestic or international) |
| 2.1-30 | 14 | Number of target firms/sectors/districts using improved ICT to market products or communicate with foreign buyers/suppliers |
| 2.1-20 | 12 | Number of targeted firms that produce products that meet international standards/quality demands |
| 2.1-36 | 12 | Number of target firms participating in export chains |
| 2.1-33 | 11 | Monetary value of international trade and investment linkages formed by targeted firms (contracts signed, for example) |
| 2.1-37 | 10 | Number of new markets accessed by target firms |
| 2.1-21 | 9 | Volume/value of products produced/sold by targeted firms that meet international standards/quality demands |
| 2.1-24 | 8 | Number of targeted firms/sectors/industries that adopt other improved procedures for the sake of increasing export competitiveness/meeting buyer demands (improving quality, adding value, specialization, increasing quantity, etc) |
| 2.1-27 | 7 | Unit cost of target export product |
| 2.1-29 | 6 | Volume/value of products imported/exported as a result of internet sales |
| 2.1-02 | 5 | Number of Products Exported by targeted firms/sectors/districts, etc. |
| 2.1-05 | 5 | Number of targeted firms/producers becoming exporters |
| 2.1-01 | 3 | Number of Products Exported by target country |
| 2.1-03 | 3 | Number of Firms Exporting in target country |
| 2.1-28 | 3 | Number/percentage of target firms using internet to place and receive international orders |
| 2.1-38 | 3 | Percentage of targeted business people who report changing their behavior as a result of learning more about competitiveness. |
| 2.1-31 | 2 | Number of target firms/sectors/districts who are able to update/maintain/fix/expand their business website, or contract another firm/BSO to do so |
| 2.1-39 | 2 | Number of firms in a sector that meet the quality and/or quantity threshold for export |
| 2.1-40 | 2 | Number of new services offered by target service providers (tourism packages, etc) |
| 2.1-04 | 1 | Number of Firms Exporting in target group/sector/industry/district, etc |
| 2.1-08 | 1 | Export Diversification Index |
| 2.1-11 | 1 | Number of Products Imported by targeted firms/sectors/districts, etc. |
| 2.1-12 | 1 | Number of Firms Importing in target country |

| | | |
|--|----|--|
| 2.1-14 | 1 | Number of targeted firms/producers becoming importers |
| 2.1-23 | 1 | Volume/value of products produced/sold by targeted firms that meet/use other certification ("Seal of Quality", etc) |
| 2.1-25 | 1 | Percentage of products rejected/returned by buyer |
| 2.1-41 | 1 | Number of producers using improved inputs |
| 2.1-43 | 1 | Number of people trained as certification auditors |
| RF 2.1.1: Firm/Industry Knowledge of International Market Opportunities Increased | | |
| 2.1.1-01 | 29 | Number of firms that participate in international trade fairs |
| 2.1.1-03 | 18 | Number of potential buyers identified/surveyed |
| 2.1.1-04 | 16 | Number of meetings between producers and potential buyers |
| 2.1.1-05 | 11 | Number of individuals reporting increased knowledge of market opportunities |
| 2.1.1-02 | 4 | Number of firms linked through import/export internet clearinghouses |
| | 0 | <i>Number of USG supported training events on topics related to investment capacity building and improving trade</i> |
| RF 2.1.2: Firm/Industry Knowledge of Trade Requirements Increased | | |
| 2.1.2-02 | 15 | Number of trainees trained about standards & requirements |
| 2.1.2-01 | 12 | Number of firms receiving training on trade requirements, including SPS standards |
| | 0 | <i>Number of firms receiving USG assistance that obtain certification with international quality control, environmental and other process voluntary standards or regulations</i> |
| RF 2.1.3 Basic Business Practices of Firms/Industries Improved | | |
| 2.1.3-03 | 28 | Number of additional hectares under improved technologies or management practices |
| 2.1.3-09 | 28 | Number of producers using new techniques or improved inputs for production (not necessarily for the purpose of meeting international demand) |
| 2.1.3-04 | 25 | Total factor productivity in firms or industry clusters increased |
| 2.1.3-08 | 23 | Number of agro-entrepreneurs/firms trained in the use of good (agricultural) techniques |
| 2.1.3-06 | 22 | Marketable value (a product of its productive yield and the value added through processing and marketing) |
| 2.1.3-10 | 20 | Number of target firms using business plans |
| 2.1.3-14 | 19 | Number of firms/trainees with increased knowledge of basic business and/export practices |
| 2.1.3-13 | 18 | Volume of production in targeted firm/sector |
| 2.1.3-07 | 17 | Number of post-harvest and processing technologies introduced and adopted by associations and agro-entrepreneurs |
| 2.1.3-02 | 16 | Number of targeted firms/farms who have adopted new technologies or practices for management (managing personnel, budgets, and/or workflow, communicating with staff, etc) |
| 2.1.3-12 | 10 | Number of target firms using improved ICT to manage basic business operations (budget, personnel, etc) |
| 2.1.3-11 | 7 | Reduced production costs in target firms/sectors/districts (\$ needed to run the firm) |
| 2.1.3-01 | 3 | Percent change in product value added |
| 2.1.3-05 | 1 | Size of firm increased |

| RF 2.1.1.1: Services from Local Export Promotion/Investment Attraction/Business Support Organizations Improved | | |
|---|----|---|
| 2.1.1.1-01 | 28 | Number of new viable BSOs formed |
| 2.1.1.1-02 | 9 | Number of enterprises receiving business development services from USG-assisted sources |
| 2.1.1.1-05 | 8 | New services offered by BSOs as a result of assistance |
| 2.1.1.1-04 | 2 | Revenue earned by targeted BSOs |
| | 0 | <i>Number of capacity building service providers receiving U.S. assistance</i> |
| | 0 | <i>Number of firms receiving capacity building assistance to export</i> |
| | 0 | <i>Number of firms receiving capacity building assistance to expo</i> |
| | 0 | <i>Number of participants in USG supported trade and investment capacity building trainings</i> |
| | 0 | <i>Number of trade-related business associations that are at least 50 percent self-funded as a result of USG assistance</i> |
| RF 2.1.1.2: Firm/Industry ICT Capacity/Use Improved | | |
| 2.1.1.2-02 | 18 | # of target firms/sectors/districts who have a website as a result of USG assistance (designed by project staff or other partner, without consultation of the firm) |
| 2.1.1.2-07 | 14 | Number of hits on new website |
| 2.1.1.2-01 | 8 | Number of target firms/sectors/districts who receive computer or other ITC equipment as a result of USG assistance |
| 2.1.1.2-03 | 1 | Number of people achieving UNESCO's International Computer Drivers License certification |
| 2.1.1.2-04 | 1 | Number of staff benefited through IT training (e.g. based on post-training evaluation where participants rate training) |
| 2.1.1.2-05 | 1 | Number of staff trained to use email |
| 2.1.1.2-06 | 1 | Number of people that learned to use teleconferencing |

RF 2.2 Cluster: Public Sector Trade-Related Practices Improved

| RF 2.2: Trade-Related Public Sector Practices Improved | | |
|---|------------------|---|
| MSI Code | Frequency | Indicator Description |
| 2.2-11 | 3 | Applied Tariff - Weighted Average - All Goods (%) |
| 2.2-12 | 2 | Applied Tariff - targeted sector or sectors |
| 2.2-02 | 1 | Prevalence of Trade Barriers |
| 2.2-06 | 1 | Actual amount paid in tariffs by foreign firms importing into target country (average or product-specific) |
| 2.2-13 | 1 | Amount of backlogged issues resolved |
| | 0 | <i>Trade Policy Index</i> |
| RF 2.2.a: Regulations, Systems Procedures Modified; Staff Oriented | | |
| 2.2a-07 | 24 | <i>Number of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG-supported organizations</i> |
| 2.2.a-08 | 14 | Establishment or improvement of quality-control and certification laboratories |
| 2.2a-09 | 7 | <i>Number of public and private sector standards-setting bodies that have adopted internationally accepted guidelines for standard setting as a result of USG assistance</i> |

| | | |
|---|----|--|
| | 0 | <i>Number of investment procedures made consistent with international investment agreements as a result of U.S. assistance</i> |
| RF 2.2.1: Trade-Related Policies Issued/Adopted | | |
| 2.2.1-05 | 14 | Number of trade policies adopted/issued |
| RF 2.2.2: Trade Agreements Signed (including Accession Pre-Conditions Met) | | |
| 2.2.2-04 | 3 | Number of market access negotiations completed (goods and services) |
| 2.2.2-01 | 2 | <i>The number of new requests, offers, revised offers, or other formal text that are submitted by a host country as part of international trade talks attributable to USG assistance</i> |
| 2.2.2-02 | 1 | WTO Status |
| 2.2.2-05 | 1 | Formation of a WTO working party based on a country's membership request |
| 2.2.2-06 | 1 | Completed draft of Memorandum of Foreign Trade Regime |
| RF 2.2.1.1.: Institutional Capacity (Policy Formulation, Negotiations, Implementation) Strengthened | | |
| 2.2.1.1-03 | 16 | Number of government agencies/departments established or strengthened as a result of the project |
| 2.2.1.1-01 | 15 | <i>Number of trade and investment diagnostics provided in support of policy formulation or implementation</i> |
| 2.2.1.1-02 | 12 | <i>Number of participants in trade and investment environment trainings</i> |
| | 0 | <i>Number of USG supported training events held that related to improving the trade and investment environment</i> |
| | 0 | <i>Number of trade and investment capacity building diagnostics conducted</i> |
| RF 2.2.1.2: Awareness/Support for Trade Agreements & Supportive Trade/Business Policies Enhanced | | |
| 2.2.1.2-02 | 21 | Number of Public forums or seminars held about the benefits of trade agreements |
| 2.2.1.2-03 | 14 | Number of policies or agreements lobbied, negotiated and/or recommended for adoption |
| 2.2.1.2-01 | 10 | <i>Number of Consultative Processes or Bodies with Private Sector as a Result of USG Assistance</i> |
| 2.2.1.2-05 | 3 | Number of people receiving information |
| 2.2.1.2-04 | 1 | Percentage of individuals in target group who Report increased openness toward trade liberalization. |

RF 2.3 Cluster: More Efficient Movement of Trade Goods Across Borders

| RF 2.3: More Efficient/Cost-Effective Movement of Traded Goods Across Borders | | |
|--|------------------|---|
| MSI Code | Frequency | Indicator Description |
| 2.3-01 | 5 | Time to export (days) |
| 2.3-06 | 5 | Perceived Efficiency of Customs and Other Border Procedures |
| 2.3-08 | 5 | Value of Customs Revenue |
| 2.3-03 | 4 | Cost to Export (\$ U.S. per container) |
| 2.3-05 | 4 | Perceived Timeliness of Shipments |
| 2.3-02 | 2 | Time to import (days) |
| 2.3-07 | 2 | Irregular payments in export & imports |
| 2.3-04 | 1 | Cost to Import (\$ U.S. per container) |

| | | |
|--|---|--|
| | 0 | <i>Reduction in the cost to trade goods across borders as a result of U.S. assistance</i> |
| | 0 | <i>Reduction in the number of days required to trade goods across borders as a result of U.S. assistance</i> |
| RF 2.3.1: Professional Services for Exporters/Importers Improved (e.g. Freight Forwarding, Trade Finance, etc.) | | |
| 2.3.1-04 | 1 | Trackability of Shipments (non-LPI related) |
| RF 2.3.2: Customs/Other Border Clearance Procedures Modernized | | |
| 2.3.2-07 | 9 | Use of computer or web-based system for customs procedures |
| 2.3.2-01 | 6 | Status of customs automation - ASYCUDA or other systems |
| 2.3.2-02 | 4 | <i>Number of documents necessary to comply with all procedures required to export goods</i> |
| 2.3.2-04 | 4 | Number of Customs Procedures |
| 2.3.2-09 | 4 | <i>Number of customs harmonization procedures implemented in accordance with internationally accepted standards as a result of U.S. assistance</i> |
| 2.3.2-03 | 2 | <i>Number of documents necessary to comply with all procedures required to import goods</i> |
| 2.3.2-05 | 1 | Administrative requirements before and after customs reform |
| 2.3.2-08 | 1 | Number of customs inspectors |
| | 0 | <i>Number of signatures necessary to comply with all procedures required to import goods</i> |
| | 0 | <i>Number of signatures necessary to comply with all procedures required to export goods</i> |
| | 0 | <i>Reduction in the number of procedures required to trade goods across borders as a result of U.S. assistance</i> |
| RF 2.3.3: Trade-Related Infrastructure Improved | | |
| 2.3.3-04 | 2 | Quality of Port Infrastructure |
| 2.3.3-05 | 1 | Quality of Air Transport |
| 2.3.3-07 | 1 | Number of people benefiting from USG-sponsored transportation infrastructure projects |
| RF 2.3.1.1: Skills of Government & Private Sector Trade Facilitation Personnel Enhanced- | | |
| 2.3.1.1-01 | 6 | Number of people trained |
| RF 2.3.1.2: ITC Capacity/Use Expanded | | |
| 2.3.1.2-02 | 4 | Establishment of computer or web-based system for customs procedures |
| 2.3.1.2-01 | 3 | Access of trade facilitation personnel to ICT |

In addition to identifying the range of performance indicators USAID projects use to monitor progress, MSI found that, for a number of these indicators, projects differed on how they defined terms and gathered data. Two examples provided below illustrate how different projects gather information on essentially the same result. These differences make it difficult to aggregate data on results across TCB projects, and—in some cases—even from multiple sites within a single country.

- **Skills of Export Industry Personnel Enhanced** Projects focused on this result measured them in the following ways:
 - *After training, test scores on labeling, pesticide certification, and regulation increased from 45% correct to 67% correct.*
 - *Number of people trained in new technologies: 158*
 - *Number of people who pass industry-wide exam: 30 cuppers passed exams to earn “Star Cupper Q Grader” status, bringing the total of star cuppers in El Salvador to 36. El Salvador now has the fourth-highest number of star cuppers in the world behind Colombia, Japan, and the United States.*

- **Jobs Created in Targeted Firms/Farms Engaged in Trade** Projects measured this result in many ways:
 - *A total of 762 new jobs were created, 46 percent of which were held by rural women.*
 - *Jobs created, expanded, or maintained. Target: 1,000 Actual: 2,477 Percent of Target: 248%.*
 - *A total of 1,502 new jobs (full time job equivalents) have been created by companies compared to their level of operation at the time assistance was initiated.*
 - *Jobs created: estimation of over 600 jobs (new and substitute ones).*
 - *Over the life of the program, the jobs component provided a total of 1,010,226 person-days of work, or the equivalent of nearly 92,000 person-months of work.*

With respect to reporting performance against indicators of TCB results, project reports did not consistently disaggregate data on the basis of gender for those indicators where such disaggregation would have been possible, as USAID requires. Several examples of a failure to disaggregate data on a gender basis can be found in the examples of reporting on training and jobs above. Project reports on assistance provided to producer/exporters on basis business practices provides another. Of the 130 projects that provided assistance to firms and farmer groups on business skills and practices, ten discussed women’s involvement in these improvements and some included quantitative information, e.g., *2,674 men and 524 women in 170 cooperatives, small farmer groups and schools received sustainable production and agribusiness assistance in the period.* Other projects missed opportunities for disaggregating indicator data by gender. For example:

- *A total of 861 clients installed drip irrigation on 632 hectares;*
- *In total 16 participants were trained in temperate climate fruit production; and*
- *20,640 farmers trained in pasture management and 18,144 farmers trained in zero-grazing practices.*

A final performance monitoring challenge faced by a few of the TCB projects the evaluation examined was data quality. USAID missions have data-quality assessment procedures they are required to use for performance indicators on which they report to USAID/Washington. Responses to the evaluation’s e-survey of missions during the stakeholder consultation period suggest that these same procedures are used for USAID TCB projects. Nevertheless, issues sometimes arise, as an example from a USAID audit undertaken in Egypt illustrates.

Each grantee had a separate process for collecting, recording, summarizing, and reporting data, but those processes did not ensure the reliability of the reported data. Contrary to the Standards for Internal Control in the Federal Government, the grantees did not maintain readily available documentation to support their reported results. USAID/Egypt’s oversight of reported results was not sufficient to identify these internal control weaknesses. As a result, USAID/Egypt did not have sufficient assurance that information grantees reported was reliable.

3. TCB PROGRAM AND PROJECT EVALUATION

In addition to considering how best to monitor TCB investments and their outcomes, the joint OECD/WTO effort to oversee TCB assistance on a multi-donor basis has focused in some degree on the appropriate approach to evaluation of TCB activities. For a 2008 OECD Policy Dialogue on Aid for Trade, the German Marshall Fund produced a volume that suggested a number of types of evaluations that might be advisable to conduct, depending on needs of a specific TCB project or program. This background paper, entitled *Evaluating Aid for Trade: Why, How, and What*, also reinforced the idea that results chains, or Results Frameworks, are appropriate for TCB programs, since they make explicit the hypotheses that evaluations might be asked to examine.

The OECD subsequently undertook another study (not yet published on its website), to examine whether special evaluation methods needed to be developed to assess the impact of TCB programs and projects. The conclusion of this OECD report—that adequate evaluation methodologies, including rigorous impact evaluation methodologies, exist for evaluating TCB programs and projects—is consistent with the

observations of this evaluation team. Unlike TCB performance indicators where issues exist, there is no indication that TCB as a field requires a unique set of evaluation methods. Against this backdrop, this evaluation examined USAID efforts through 2009 to evaluate its TCB investments.

USAID's TCB evaluation experience is one component of USAID's overall evaluation experience. Historically, USAID had a strong reputation for carrying out program and project evaluations, and until the early 1990s required midterm and final evaluations for all projects. At the same time, USAID introduced new performance monitoring requirements in the early 1990s; over the next decade the number of evaluations USAID carried out each year dropped precipitously, from 497 in 1994 to 73 in 2007.³⁴ USAID has recently (2009) reintroduced a mandatory evaluation requirement at the program level.

a. TCB Evaluations at the Program Level

Prior to this evaluation, USAID conducted one program level TCB evaluation. As explained in the previous section, this evaluation used performance monitoring information found in annual R4 reports from missions as its primary data source. In addition, as a precursor to this evaluation, USAID/EGAT invested in a paper that examined alternative approaches for conducting evaluations at the program level for USAID's TCB program, entitled *Trade Capacity Building Evaluation Methodologies and Indicators*. That paper recommended the use of a cluster approach and served as a foundation for the cluster approach used in this evaluation.³⁵ It also suggested that for those clusters of TCB projects this evaluation examined, results chains of some type would be an appropriate way to identify intended results, the hypothesized links between them, and appropriate performance indicators on which to look for evidence of achievements.

As part of this evaluation, a review was undertaken of previous evaluations by USAID or other donors. Early in the study period, MSI reviewed the findings of the initial set of TCB project evaluations it located, extracting key findings from each. The results of this early effort was somewhat disappointing as most of these studies yielding broad findings that apply equally well to most types of development assistance, e.g., programs are more effective when the enabling environment is conducive to the achievement of program objectives.³⁶ Subsequent to this effort, the team located a volume prepared by OECD entitled, *Trade-Related Assistance, What Do Recent Evaluations Tell Us?* (2006), that reviewed many of the same evaluations as had the MSI team, reaching similar conclusions.

Aside from this early review, which proved valuable in developing the Results Framework used in this evaluation, MSI concentrated on finding project-level evaluations and using them along with other project reports as a source of evidence about project performance and the kinds of results yielded by USAID TCB investments.

b. TCB Project-Level Evaluations

While USAID encourages, but does not require, project-level evaluations be undertaken, it does provide detailed guidance on what should be included in evaluation statements of work (SOWs) and the expected coverage and structure of evaluation reports delivered to USAID. These ADS guidelines are used in this section as a basis for examining the quality completeness and quality of TCB evaluation reports.

The MSI team was able to locate 30 evaluations representing 38 (15 percent) of the 256 projects it examined. A list of these 30 project evaluations is provided in Table 27, which also indicates the evaluation's scope. The evaluation team also found 11 additional TCB evaluations that were for projects it did not examine during the

³⁴ Hageboeck, Molly, *Trends in International Development Evaluation Theory, Policy and Practices*, prepared for USAID. Washington D.C., Management Systems International, 2009.

³⁵ Nathan Associates Inc. "Trade Capacity Building Evaluation Methodologies and Indicators" (2007) at: http://pdf.usaid.gov/pdf_docs/PNADJ708.pdf

³⁶ Notably, this is not unlike the findings of this evaluation with respect to the types of problems that most clearly impeded project success. The two answers that were statistically significant, start-up problems and problems with partners, are typical of development projects in all sectors.

evaluation, bringing the total number of TCB project evaluations it located to 41. It is difficult to place this number in context, as USAID does not analyze the number of evaluation reports forwarded to the Development Experience Clearinghouse (DEC) each year on a sector or topical basis. Furthermore, it is the view of a number of USAID staff and consultants to the Agency who work with evaluations that not every evaluation USAID conducts is submitted to the DEC, despite the Agency's mandatory requirement in ADS 203 in that regard.

Table 27. USAID TRADE CAPACITY BUILDING EVALUATIONS LINKED TO 38 PROJECTS EXAMINED BY THE EVALUATION

| Evaluation Title | Year | Evaluation Scope | | | |
|--|------|--------------------------------|-----------------------------------|------------------------------------|---------------------------------------|
| | | Single Project; Single Country | Multiple Projects; Single Country | Single Project; Multiple Countries | Multiple Projects; Multiple Countries |
| SAGIC Mid-Term Evaluation | 2009 | ● | | | |
| Madagascar Business and Market Expansion Project | 2008 | ● | | | |
| Evaluation of the Cambodia Strengthening Micro, Small and Medium Enterprise Program | 2007 | ● | | | |
| Cambodia MSME Project – Final Monitoring and Evaluation Report | 2008 | | | | |
| Assessing the Impact of the Micro and Small Enterprise Trade-Led Growth Project | 2008 | ● | | | |
| Montenegro Competitiveness Project | 2008 | ● | | | |
| Impact Evaluation: Rebuilding Agricultural Markets Program (RAMP) | 2007 | ● | | | |
| Evaluation of Trade Hubs - Africa | 2006 | | | | ● |
| Evaluation Report for Macedonian Competitiveness Activity | 2006 | ● | | | |
| Agriculture Natural Resource Management Program- Wula Nafaa | 2006 | ● | | | |
| PROALCA II Evaluation | 2006 | | | | ● |
| GATE | 2006 | | | | ● |
| EXPOLINK – Growth Through Globalization Evaluation | 2005 | ● | | | |
| An Evaluation of the Bangladesh Agro-based Industries and Technology Development Project (ATDP II) | 2005 | ● | | | |
| USAID/Expro Project Evaluation | 2005 | ● | | | |
| Evaluation of Agricultural Cooperatives in Ethiopia (ACE) Program | 2005 | | | | ● |
| ATR Mid-Term Assessment | 2004 | ● | | | |
| Armenia Small and Medium Enterprise Market Development Project (ASME) | 2004 | ● | | | |
| Evaluation of the Enterprise Development Project | 2004 | | | ● | |

| Evaluation Title | Year | Evaluation Scope | | | |
|---|------|--------------------------------|-----------------------------------|------------------------------------|---------------------------------------|
| | | Single Project; Single Country | Multiple Projects; Single Country | Single Project; Multiple Countries | Multiple Projects; Multiple Countries |
| The Future of the LEAPSS Project | 2004 | ● | | | |
| Evaluation of Economic Growth Technical Assistance | 2004 | | ● | | |
| Aid to Artisans Shape II Program Evaluation Report | 2003 | ● | | | |
| Ghana Trade and Investment Reform Program (TIRP) | 2003 | | ● | | |
| SAIBL – Evaluation & Impact Assessment | 2003 | ● | | | |
| Southern Africa Global Competitiveness Hub | 2003 | | | | ● |
| Evaluation of Trade Facilitation and Investment Activity | 2003 | | | ● | |
| Final Evaluation Report: U.S. Department of Commerce Commercial Law Development Program in Egypt (CLDP) | 2003 | | | ● | |
| Mid-Term Evaluation: Private Farmers Assistance Program and Private Farmer Commercialization Program | 2002 | | ● | | |
| Evaluation of the Firm Level Assistance Group (FLAG) Program in Bulgaria | 2002 | ● | | | |
| Assessment of USAID's JOBS Program in Bangladesh within the Context of the Market Development Approach | 2002 | ● | | | |
| Partnership for Economic Growth (PEG) | 2002 | ● | | | |

Perhaps the best way to place the number of USAID TCB evaluations in context is in comparison to the total number of evaluations USAID received. For this purpose, the evaluation team uses the number of evaluations for the period 2002-2008 that an MSI review of DEC holdings, undertaken for USAID's Office of Evaluation, determined were actually evaluations and not audits, final reports, or needs assessments. For 2002-2008 the number of DEC submissions that were judged to be true evaluations, using the same standard applied to counting USAID TCB evaluations, was 744: the 41 TCB evaluations the MSI team located represent 5.5 percent of that total.

USAID does not formally keep statistics on the number of evaluations carried out by sector each year or on the percentage of projects in a sector that have been evaluation. Accordingly, the evaluation team had no objective basis for concluding that the number of evaluations carried out for TCB projects over the past decade is higher or lower than the percentage of projects evaluated in other sectors over the same period.

As noted above, findings from the 30 evaluations covering 38 of the projects the evaluation team analyzed were used along with data found in project performance monitoring reports to prepare this evaluation report. They are part of the set of evaluations that the team examined in the review of existing evaluations described above; the MSI team also extracted a summary of the key characteristics of 15 of these evaluations from both a substantive and evaluation quality perspective in the fall of 2009. Findings from that first synopsis of evaluation quality highlighted the need for a more systematic review of USAID TCB evaluations from an

evaluation quality perspective, since coverage and quality are the dimensions of USAID TCB reports the Agency will be in the best position to improve going forward.

To assess the quality of USAID evaluations and the evaluation SOWs to which evaluation reports respond, the MSI team used two scoring tools that it developed in connection with the Certificate Program in Evaluation course it regularly offers for USAID staff. These tools were also used by MSI to review SOW and evaluation quality for a sample of USAID evaluations for the Agency's Office of Evaluation. Subsections below present the findings of these two coverage and quality reviews. The ten USAID TCB evaluations included in this analysis were all evaluations for which both the SOW and the evaluation report had been located. Furthermore, they were all for single country, single project evaluations, so that the playing field was level from a scoring perspective.

TCB Evaluation SOWs Rated

The rating sheet MSI used to score USAID TCB evaluations derives from ADS 203.3.6.2 and 203.3.6.2 which, together, define what an evaluation SOW should cover. The rating system is a simple checklist. The SOWs the evaluation team scored using this instrument were those SOWs it found included as annexes in evaluations for TCB projects examined during Phase II. MSI only rated SOWs for evaluations for which it also rated the evaluation reports, as described below.

Table 28 tallies positive ratings on each checklist item across all of the evaluations rated. A longer line across evaluations on an item indicates that overall evaluation SOWs were consistent with ADS expectations on that item. A short line, in contrast, highlights where very few evaluation SOWs included some form of specific instructions to evaluation teams that the ADS says are important. On this table, two factors that experience suggests have a significant impact on evaluation quality are highlighted in red, namely clarity about the management purpose of the evaluation and a specific list of questions to be addressed, which the ADS explicitly says should be a "small number of key questions and specific issues answerable with empirical evidence."

While the evaluation team's ratings for USAID TCB evaluation SOWs highlighted areas for improvement, over half of the SOWs reviewed scored well on many of the key evaluation elements, including the use of a list of evaluation questions as the centerpiece of an evaluation SOW and a clearly expressed management purpose to help keep the evaluation team focused on the report's intended use.

Table 28. **SOW COMPLETENESS & QUALITY RATINGS FOR TCB EVALUATION SOWS**

(n =10)

| SOW Elements | Element Aspects Rated | Number of Projects | | | | | | | | | |
|-----------------------|---|--------------------|---|---|---|---|---|---|---|---|----|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Project Description | 1. Clear | | | | | | | | | | |
| | 2. Project Duration Provided | | | | | | | | | | |
| Background | 3. Problem Being Addressed | | | | | | | | | | |
| | 4. Development Hypothesis | | | | | | | | | | |
| | 5. Expected Inputs/Outcomes | | | | | | | | | | |
| | 6. Changes in Environment | | | | | | | | | | |
| | 7. Changes in Project | | | | | | | | | | |
| Data Sources | 8. Availability of Existing Data | | | | | | | | | | |
| | 9. Availability of Other Data | | | | | | | | | | |
| Management Purpose | 10. Management Purpose | | | | | | | | | | |
| | 11. Evaluation's Audience | | | | | | | | | | |
| Evaluation Questions | 12. Specific List of Questions | | | | | | | | | | |
| | 13. Appropriate number of Questions | | | | | | | | | | |
| | 14. Priority of Questions | | | | | | | | | | |
| | 15. Questions are Consistent w/ Purpose | | | | | | | | | | |
| Methods | 16. Responsibility for Methods Designated | | | | | | | | | | |
| | 17. Methods Recommended | | | | | | | | | | |
| | 18. Data Disaggregation | | | | | | | | | | |
| | 19. Samples/Analysis/Response Criteria | | | | | | | | | | |
| Deliverables | 20. Deliverables Specified | | | | | | | | | | |
| | 21. Deliverables Described | | | | | | | | | | |
| | 22. Evaluation Start/Completion Dates | | | | | | | | | | |
| | 23. Dates for All Deliverables Provided | | | | | | | | | | |
| Team Composition | 24. LOE Available or Team Size | | | | | | | | | | |
| | 25. Specific Skills Required | | | | | | | | | | |
| | 26. Evaluation Specialist Required | | | | | | | | | | |
| | 27. Whether and How Participatory | | | | | | | | | | |
| Scheduling/ Logistics | 28. Specific Dates Mentioned | | | | | | | | | | |
| | 29. Logistics Discussed or Not | | | | | | | | | | |
| Report Requirements | 30. Report Requirements | | | | | | | | | | |
| | 31. Dissemination Requirements | | | | | | | | | | |
| Budget/LOE | 32. Budget or LOE Provided | | | | | | | | | | |
| Reasonableness | 33. SOW Reasonable: Q/\$/Time | | | | | | | | | | |

TCB Evaluation Reports Rated

The rating system used to assess evaluation reports is conceptually parallel to the SOW rating system in that it involves a checklist keyed to ADS 203.3.6.6 which emphasizes the importance USAID places on distinguishing between findings (the facts the evaluation team collected), conclusions (the team's interpretations or judgments as to what the findings mean), and recommendations. Reflecting the importance of this distinction, for example, the evaluation report rating system will detract points from evaluations that co-mingle these different elements in the evaluation structure USAID prefers.

The results of this analysis are shown in Table 29. For each item, the number of darkened squares equals the number of evaluation that included the evaluation element discussed. Most evaluations included some of these elements, and few evaluations included other elements. For the most part, a high number of projects that fail to include a given item can indicate that problems may exist, e.g., USAID staff and evaluation teams are unaware of the need to include the item or have difficulty doing so. Overall, the results of this scoring exercise are similar to results when USAID project evaluations from other sectors are scored using the same instrument or one that is very similar.

With respect to the types of evaluations being undertaken, the split found between formative and summative evaluations is fairly typical for all USAID sectors. As to the methods being used, particularly for summative evaluations, while they are similar to what is being done in other sectors, they tended to fall on the low end of the methods spectrum with respect to the evidence they produce. Most are carried out over a short time span and depend heavily on interviews. Very few used comparison groups to try to determine what changes or results might have occurred in the absence of USAID's project. Notable in this regard was one internal project evaluation carried out by Aid for Artisans:

- For USAID's AGEXPORT project in Guatemala, Aid to Artisans collected pre-and post project survey data for artisans that were and were not affiliated with the project. While the pre-project samples on which data were collected were of a reasonable size, this evaluation noted that it was difficult to obtain post-project survey data. The number of observations the evaluation obtained for beneficiary and non-beneficiary groups both before and after the project was thus small, making it difficult to draw strong conclusions.

As noted above, these types of features are difficult to construct for retrospective evaluations, but some tools for addressing questions about the counterfactual on a retrospective basis do exist. Of greater concern is the fact that some TCB summative evaluations did not systematically compare the project situation on a pre-and post project basis. This problem may well be linked to the lack of baseline data in a fairly large percentage of TCB projects, as discussed above. Compared to its recent summative evaluations, USAID formative TCB evaluations may serve as a reasonably good basis for making improvements in ongoing activities.

While this evaluation did not focus directly on the utilization of evaluations or performance monitoring data by USAID and implementing partner staff, project documents sometimes included references to their utilization to guide ongoing projects and design new ones. These ad hoc references do not, however, provide a basis for drawing conclusions about the extent to which USAID has utilized the TCB evaluations it has carried out.

What was perhaps somewhat more evident "reading between the lines" in program and project documents and listening to USAID and implementing partner staff in the evaluation's stakeholder consultations sessions was that USAID and its partners may not be learning as much from one others' experience as is desirable—including from evaluations or new empirical studies with implications for TCB programs. In discussions at the three stakeholder consultation sessions the evaluation held for USAID implementing partners, one of the most frequent comments made to MSI staff concerned how rarely USAID TCB implementing partners are brought together to talk about experience with specific types of TCB projects or to jointly discuss impediments to making progress on those objectives across countries.

Table 29. **EVALUATION REPORT COMPLETENESS & QUALITY RATINGS FOR TCB EVALUATION REPORTS**
(n =10)

| Evaluation Elements and Aspects Rated | | Number of Evaluations | | | | | | | | | | Evaluation Elements and Aspects Rated | | Number of Evaluations | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------|------------------------|-----------------------|---|---|---|---|---|---|---|---|----|---------------------------------------|--|-----------------------|---|---|---|---|---|---|---|---|-----------------|------------------------|-----------------------|-------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | | | | | | | | | | | | | | | | | | | | | |
| Report Details | Date | | | | | | | | | | | | | | | | | | | | | | Data Collection | Written Questionnaires | | | | | | | | | | | | | | | | | | | | | |
| | Authors | | | | | | | | | | | | | | | | | | | | | | | | >Client | | | | | | | | | | | | | | | | | | | | |
| | Executive Summary | | | | | | | | | | | | | | | | | | | | | | | | >IP Staff | | | | | | | | | | | | | | | | | | | | |
| | Table of Contents | | | | | | | | | | | | | | | | | | | | | | | | >Officials/ Experts | | | | | | | | | | | | | | | | | | | | |
| | Glossary | | | | | | | | | | | | | | | | | | | | | | | | >Beneficiaries | | | | | | | | | | | | | | | | | | | | |
| | Acronyms | | | | | | | | | | | | | | | | | | | | | | | | >Other | | | | | | | | | | | | | | | | | | | | |
| | Team Leader Name | | | | | | | | | | | | | | | | | | | | | | | | >In Instruments Annex | | | | | | | | | | | | | | | | | | | | |
| | All TM Name | | | | | | | | | | | | | | | | | | | | | | | | Observation | | | | | | | | | | | | | | | | | | | | |
| Purpose and Questions | Evaluation Period | | | | | | | | | | | | | | | | | | | | | | >Unstructured | | | | | | | | | | | | | | | | | | | | | | |
| | Purpose | | | | | | | | | | | | | | | | | | | | | | | >Structured | | | | | | | | | | | | | | | | | | | | | |
| | Questions - List | | | | | | | | | | | | | | | | | | | | | | | >Video/photos | | | | | | | | | | | | | | | | | | | | | |
| | Q/I match SOW | | | | | | | | | | | | | | | | | | | | | | | >Audio/ recordings | | | | | | | | | | | | | | | | | | | | | |
| | >Process Q/Is | | | | | | | | | | | | | | | | | | | | | | | >Instruments (scale) | | | | | | | | | | | | | | | | | | | | | |
| | >Planned Results | | | | | | | | | | | | | | | | | | | | | | | >In Instruments Annex | | | | | | | | | | | | | | | | | | | | | |
| | >Explain Deviation | | | | | | | | | | | | | | | | | | | | | | | Separate Section | | | | | | | | | | | | | | | | | | | | | |
| | >Unplanned Results | | | | | | | | | | | | | | | | | | | | | | | Linked to Q/Is | | | | | | | | | | | | | | | | | | | | | |
| | >Causality | | | | | | | | | | | | | | | | | | | | | | | All Q/Is Addressed | | | | | | | | | | | | | | | | | | | | | |
| | Q/Is Link to Purpose | | | | | | | | | | | | | | | | | | | | | | | No Cs or Rs | | | | | | | | | | | | | | | | | | | | | |
| Project Description | Problem | | | | | | | | | | | | | | | | | | | | | | Conclusions | Raw data analyzed | | | | | | | | | | | | | | | | | | | | | |
| | Beneficiaries | | | | | | | | | | | | | | | | | | | | | | | Data all methods | | | | | | | | | | | | | | | | | | | | | |
| | Target Area | | | | | | | | | | | | | | | | | | | | | | | Ns with %s | | | | | | | | | | | | | | | | | | | | | |
| | Implementing Partner | | | | | | | | | | | | | | | | | | | | | | | | Separate from F&R | | | | | | | | | | | | | | | | | | | | |
| | Period | | | | | | | | | | | | | | | | | | | | | | | | Supported by F | | | | | | | | | | | | | | | | | | | | |
| | Cost | | | | | | | | | | | | | | | | | | | | | | | | Not Just F restated | | | | | | | | | | | | | | | | | | | | |
| | Hypothesis | | | | | | | | | | | | | | | | | | | | | | | | No new F | | | | | | | | | | | | | | | | | | | | |
| | Intended Outcomes | | | | | | | | | | | | | | | | | | | | | | | | Not Rs | | | | | | | | | | | | | | | | | | | | |
| | Direct Results-Outputs | | | | | | | | | | | | | | | | | | | | | | | | Linked to Q/Is | | | | | | | | | | | | | | | | | | | | |
| | Inputs/Activities | | | | | | | | | | | | | | | | | | | | | | | | Recom | Separate from F&C | | | | | | | | | | | | | | | | | | | |
| Methods | | | | | | | | | | | | | | | | | | | | | | | Supported by | | | | | | | | | | | | | | | | | | | | | | |

Constitutes Strong Evidence of Program Effectiveness?, and other critiques of USAID and development assistance evaluations generally cite as an important weakness: that is, they fail to examine the counterfactual.³⁷ While none of the 30 evaluations of TCB projects MSI reviewed included the use of comparison groups, the evaluation team noted that one or two recent USAID TCB projects have shown an interest in these types of comparisons, including the collection of data on comparison groups as well as target groups into their regular baseline data collection and project monitoring activities, and with the intention of making post-intervention comparisons towards the end of the project funding period.

- With respect to the issue of separating findings, conclusions, and recommendations, the ratings indicate that the lines between these evaluation segments were not rigid, and in some instances readers would have encountered findings for the first time in conclusions or recommendations sections.

Looking beyond current TCB evaluations, adequate guidance exists within USAID and the in the evaluation community more broadly to support improvements in TCB evaluation quality. USAID's ADS guidance on developing evaluation SOWs and conducting evaluations, including its evaluation TIPS series, are available through the EvalWeb section of the Agency's website. USAID also offers courses that include performance monitoring and evaluation components. Further, USAID/EGAT and its TCBoost have training materials on monitoring and evaluation for TCB projects developed by the evaluation team and used in a pilot course during the study period. TCBoost has been authorized by USAID to use and modify them as appropriate to help improve TCB M&E. Beyond USAID, there are numerous evaluation resources available, often online, from other development assistance agencies, the OECD website section on aid for trade, and through evaluation associations, academic institutions, and the like.

As USAID experience shows, more than guidance is needed to improve the coverage, quality, and use of evaluations in USAID. USAID's Evaluation Office, with support from the Administrator, is currently engaged in an effort to enhance evaluation in USAID in both quality and coverage terms. This Agency initiative offers an opportunity for progress on TCB evaluations, but how TCB can best be linked to that opportunity should be carefully considered: initiatives that are perceived as increasing staff workload without delivering valuable benefits will be resisted.

Impact evaluations, which are relatively new to USAID, are more rigorous than current TCB evaluations. While it is not likely that they will be needed frequently, impact evaluation may from time to time be appropriate for determining the effects of types of field projects that USAID has undertaken frequently, but for which it lacks clear evidence about effectiveness. They are also appropriate in pilot projects where replication or scaling up is envisioned. Based on the findings of this study, there are a few types of TCB projects that might warrant consideration in this regard, e.g., USAID fairly consistently sends producer/exports to trade fairs, but systematic information on the impact of participation is generally lacking.

³⁷ This OMB evaluation "white paper" is available at: http://www.whitehouse.gov/omb/part/2004_program_eval.pdf

SECTION IV: SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

This focus of this section is on the evaluation’s recommendations. Those recommendations are prefaced by a review of the conclusions MSI presented in Sections III, where the evaluation’s findings on each of the six questions the evaluation are presented.

A. SUMMARY OF CONCLUSIONS

In this evaluation report, the conclusions reached by MSI on each of the six questions the evaluation addressed were used to introduce the findings of this study. To support the evaluation’s discussion of its recommendations to USAID in this section, the evaluations conclusions on each evaluation question are recapitulated in Table 30 below.

Table 30. **SUMMARY OF CONCLUSIONS REACHED ON TCB EVALUATION QUESTIONS**

| Evaluation Question | Conclusions Reached by the Evaluation |
|--|--|
| 1. To what extent have USAID programs of this type contributed in a measurable way to improved trade capacity in the target countries? | <ul style="list-style-type: none"> ▪ USAID TCB projects have a positive effect on developing country exports, even in very poor countries and those dealing with conflict within their borders. At the national level, the statistical association found by the evaluation between export gains and TCB assistance varies depending on the status of a number of critical external and domestic factors that are known to significantly influence developing country export performance. ▪ Export gains associated with USAID TCB projects stem from modest investments directed at trade facilitation and improvements in government practices, as well as from larger investments in projects that work directly with exporters. There are synergies among these three pathways to improved trade performance. |
| 2. What impact has USAID TCB projects had on the firms, individuals, associations, sectors, economies and government agencies targeted by the interventions? | <ul style="list-style-type: none"> ▪ Involvement in USAID TCB projects affects how people, businesses, and governments understand, interact with, and benefit from the global economy. ▪ The full impact of USAID TCB assistance on individuals, institutions, sectors, and economies is not visible in project-level reports. Impacts that are easily observed and quantified, such as jobs created by projects, may in some instances be less significant than those that are more difficult to observe and measure, such as the impact of a transparent and predictable policy process in developing countries. |
| 3. Which activities have been more successful in achieving their objectives, and what were the primary factors for their relative success? | <ul style="list-style-type: none"> • USAID TCB projects reported on achievements at the outcome as well as the output level, though not necessarily against predefined performance targets. • Where performance targets were present, TCB projects generally achieved all or most of the targets established: no more than 10 percent of projects appear to have had faced significant problems in this regard. Some TCB projects were negatively affected by start-up problems and problems with partner organizations that are typical of development projects in all sectors. |

| Evaluation Question | Conclusions Reached by the Evaluation |
|---|---|
| 4. What combinations of activities or interventions were more successful and sustainable than others, and what were the primary synergies that contributed to that success? | <ul style="list-style-type: none"> ▪ Synergies among USAID TCB project elements (such as the modalities through which assistance is delivered) and synergies between projects and the environment in which they operate contribute to the achievement of project objectives. ▪ Improvements realized with USAID TCB project assistance are most likely to be sustained when future funding sources are clear: for example, when revenues from export earnings will sustain improved private sector practices, or when government investments will sustain support services to exporters or the implementation of trade policies and agreements. |
| 5. To what extent have the interventions funded by USAID since 2002 succeeded in accomplishing the program's objectives? | <ul style="list-style-type: none"> ▪ USAID's 2003 TCB Strategy Paper was highly influential in shaping the USAID TCB portfolio. Results were achieved on each of the strategy's priorities. ▪ The usefulness of this strategy paper as a guide to action diminishes as time passes and the base of empirical literature on trade capacity building and U.S. development assistance policy evolves. |
| 6. How can USAID integrate monitoring and evaluation into the design and implementation of TCB programs more systematically? | <ul style="list-style-type: none"> ▪ TCB performance management practices would benefit from fuller implementation of USAID guidance on developing Results Frameworks, setting performance targets, and collecting baseline data. ▪ TCB evaluations are limited in number, as well as in the strength of the evidence they bring to bear. In this regard, current evaluation practice for TCB resembles current evaluation practice elsewhere in the Agency. |

B. RECOMMENDATIONS

Two broad recommendations flow from the conclusions of this evaluation:

Recommendations:

- Develop tools that will help missions implement USAID performance management guidelines, including a TCB Results Framework and indicators that support monitoring and evaluation at all results levels.
- Update the USAID TCB Strategy Paper, incorporating a Results Framework, as recommended above, to serve as flexible guide for the design of future field TCB programs and projects.

The evaluation recommends steps for implementing these recommendations, including reaching an internal consensus on a TCB Results Framework that can serve as a basis for program planning, project design, performance monitoring, and evaluation. It will also be important to invest in an effort to reach a professional consensus among USAID staff and implementing partners on the most appropriate performance indicators for each level of that framework. The evaluation also suggests that, in the course of bringing the Agency's TCB strategy forward in time, the balance between support for results that flow from improvements in private and public sector trade-related practices that was recommended in 2003 be reviewed and expanded to include a focus on reducing the time and cost of moving good across borders, including (but not limited to) a focus on customs. The balance in the USAID's portfolio between agriculture,

manufacturing, and service exports also warrants consideration in light of empirical findings on their respective relationships to developing country export performance.

Suggested Steps for Improving the Alignment between TCB Monitoring and Evaluation Practice and USAID Guidelines

With respect to Performance Management Plans and performance monitoring:

- Disseminate evaluation findings regarding the absence of baselines and targets in many TCB programs and projects and make a simple summary of USAID's performance management system requirements, along the lines suggested in the text box on page 133, available to staff who work on these projects, as a reminder and as an encouragement to follow USAID's guidelines and incorporate them into solicitations, where appropriate.
- Work with missions to ensure that USAID staff who work on TCB projects have attended USAID trainings that cover monitoring and evaluation; for those who have not, collaborate with missions on efforts to ensure they attend such courses.
- Drawing on the TCB Results Framework developed for this evaluation (Figure 3), and refinements to it made by USAID in conjunction with the preparation of a new TCB Strategy Paper, as well as on the indicator inventory developed by the evaluation (Table 26), facilitate the development of a professional consensus on the most appropriate performance indicators at each level of the Results Framework, including indicator definitions, units of analysis, and data collection methods. Identify all indicators in this framework for which it is appropriate to collect data on a gender disaggregated basis. Share the results of this consensus-building effort widely with USAID staff.
- Invest in the development of improved indicators for institutional change results, such as *ministry strengthened*, and other key results that may be identified internally as being in need of this type of attention.
- With selected missions, test the feasibility of associating export products on which USAID TCB projects focus with harmonized system codes and of using those codes to ascertain the contribution of project exports to national exports as a measure of program impact.
- With missions, identify current TCB projects that lack performance targets and baselines as well as projects in the design stage that are struggling in these areas. Invest in efforts to improve targets and baselines for these projects and to identify the generic issues involved with an eye to providing guidance to all missions on overcoming impediments to compliance with USAID guidance on these aspects of the performance management system.

With respect to Evaluation:

- Recent TCB evaluations are consistent with current USAID practice. USAID has indicated that it intends to introduce expanded evaluation guidance in 2011. When this new guidance is issued, examine its implications for TCB projects and for an updated TCB strategy, and modify TCB training materials and other guidance materials for TCB programs and projects as appropriate.
- Develop a practical agenda for improving TCB evaluation practice that will bring value to the program. Consider building a topical evaluation agenda for TCB that focuses on those development hypotheses upon which projects frequently rely in the absence of little, if any, evidence to confirm them. Work collaboratively with missions, regional offices, and regional bureaus to implement such an evaluation agenda and widely share its findings to the benefit of the TCB community-of-practice as a whole.

- Focus on quality first, and quantity second.
 - Encourage simple improvements in evaluation products. For example, foster the use of simple checklists, along the lines suggested in Tables 28 and 29, to determine whether draft statements of work for evaluations and draft evaluation reports conform to USAID guidelines.
 - Work with missions that are developing new projects to improve the evaluation planning and budgeting component of project designs, solicitations, and PMPs, including planning for the collection of baseline data and, where appropriate and feasible, establishing comparisons that can make it possible to answer questions about what would have occurred in the absence of these projects.
 - Work with missions that are developing evaluation SOWs to improve the focus in solicitations on the types and strength of evidence that evaluations will assemble to address evaluation questions, including through better use of project performance data, relevant country statistics, beneficiary surveys, and other methods.

Suggested Steps for Updating USAID's TCB Strategy and Related Guidance

- Recognizing that TCB is an evolving field, systematically integrate recent empirical findings on trade facilitation and other determinants of developing country export performance into an updated strategy paper, and, on a continuing basis, into USAID trainings, Economic Sector Council meetings, and economic growth officer conferences.
- In light of recent empirical studies, the 2010 Presidential Directive on Global Development, and USAID priorities and comparative advantage, consider:
 - The relative priority to be assigned going forward to (a) improving private sector responsiveness to trade opportunities; (b) improvements in public sector practices, including institutional capacity, trade policies and agreements, and their implementation, and (c) efforts that focus on reducing the time and cost of moving goods across borders and ensuring that smaller producer/exporters have adequate access to trade finance.
 - Whether and to what degree an emphasis on creating jobs and income in the near term complements or competes with efforts to systemically shift the slope of developing country export growth towards an exponential path. In this context, consider the relative priority to be assigned going forward to export-oriented investments at the project level in agriculture, manufacturing, and services, including traditional tropical agricultural commodities.
- To foster ownership and implementation, engage both USAID staff and experienced implementing partner staff, to the extent realistic, in a consultative and participatory manner in the development of an updated USAID TCB Strategy.
- Incorporate a generic Results Framework for TCB into the next generation TCB Strategy Paper that articulates USAID's development hypothesis and sets the stage for improvements in USAID TCB monitoring and evaluation.
- Consistent with good practice in other sectors in which USAID works, supplement a new TCB Strategy Paper with field guidelines for assessing strategic options and applying USAID's new TCB Strategy at the country level.

USAID Performance Management System Elements

1. **Establish a performance management framework** – a Results Framework for a program or a Logical Framework for a project
2. **Prepare a complete Performance Management Plan (PMP) including:**
 - State the full set of performance indicators
 - Provide baseline values and targeted values for each performance indicator
 - Disaggregate performance indicators by sex wherever possible.
 - Specify the source of the data and the method for data collection.
 - Specify the schedule for data collection.
 - Describe known data limitations
 - Describe the data quality assessment procedures that will be used to verify and validate the measured values of actual performance of all the performance information
 - Estimate the costs of collecting, analyzing, and reporting performance data, and plan how these will be financed.
 - Identify possible evaluation efforts to complement the performance monitoring effort
 - Include a calendar of performance management tasks
3. **Implement the PMP including**
 - Review partner reports
 - Conduct Portfolio Reviews
 - Assess data quality
 - Revise the PMP as needed;
 - Prepare the annual Performance Report; and
 - Design and conduct evaluations as needed.
4. **Use performance information to influence decision-making and resource allocation.**
5. **Communicate results. Share key USAID-managed documents with the Development Experience Clearinghouse (DEC), including**
 - Contractor/grantee technical reports, publications, and final reports;
 - USAID-funded conference/workshop proceedings and reports;
 - Evaluation reports, assessments, studies, and close-out reports

PART TWO: PROJECT RESULTS BY RESULTS FRAME LEVEL

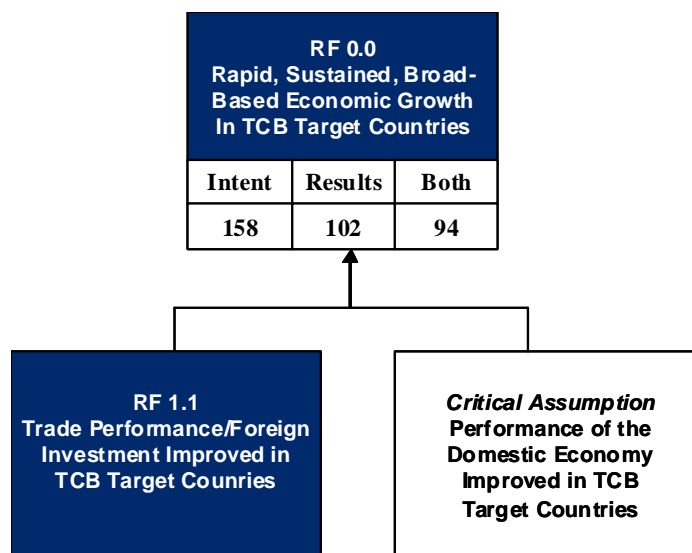
This part of the evaluation report presents USAID TCB project results at each level of a Results Framework that was used to structure information gathering for the evaluation. In this part of the report, detailed information from 256 projects is treated as case study material; it is organized to illustrate patterns of results USAID projects attempted to achieve as well as how they measured results and what results they reported. The purpose of the section is to familiarize readers with the range of USAID TCB project experience as documented by project teams and through evaluations and audits.

Sections in the part of the evaluation report move systematically through the Results Framework diagram shown in Figure 3 in Part One of the report. Throughout this part of the report the voices of project staff are heard directly, through excerpts from project reports, shown in italics, which convey their experiences in their own words. Tabulations that display the frequency with which project documents report specific types of accomplishments are also included.

SECTION I. PROJECT RESULTS AT THE RF 0.0 LEVEL IN THE RESULTS FRAMEWORK

The highest level of the Results Framework the evaluation team used to organize information about the results of USAID TCB projects focuses on the Agency’s economic growth goal—*rapid, sustained and broad-based economic growth*. USAID views improvements in trade performance and foreign direct investment as contributing to economic growth, as Figure 41 illustrates. Support for this proposition exists in economic theory and contemporary empirical studies, as discussed in Section II of Part One of this report.

FIGURE 41. GOAL LEVEL OF THE TCB RESULTS FRAMEWORK



At the national level, USAID measures of RF 0.0 performance include changes in per capita income and changes in the number of people living in poverty. USAID TCB projects frequently measure the number of jobs a project creates and changes in individual and family incomes at this level, as shown in Table 26 in Part One of this report.

Of the 256 USAID TCB projects the evaluation reviewed, Figure 41 shows – in the cell at the bottom left under RF 0.0 – that 158 projects mentioned an intent to achieve results at the RF 0.0 level. Of these, Figure 41 shows – in the middle cell under RF 0.0 – that documents for 102 projects included data on actual result at this level. [The cell on the far right below RF 0.0 shows the number of projects that both stated intent and provided data on achievements at this level.]

Among the 102 projects that reported RF 0.0 (economic growth) results, jobs were the most frequent result reported, as Table 31 shows. Other results frequently cited focused on individual and family income and on enterprise revenue gains. Table 31 shows the frequency with which results were cited in project reports and evaluations.

In USAID project documents, the wording of statements about results varies considerably. Jobs, for example were defined by some projects as being full-time jobs, while other projects described full- or part-time jobs

Table 31. **TCB RESULTS FRAMEWORK LEVEL 0.0**

(n = 102)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of Projects Reporting Results |
|---|--|--|
| Jobs (full time, part time, seasonal) | 66 | 65% |
| Income (family, household) | 20 | 20% |
| Revenue (farm, firm, sector) | 18 | 18% |
| People benefited by the project (farmers) | 12 | 12% |

created, or seasonal jobs. Similarly, with respect to income, some projects described changes in income on an individual basis, while others described changes in income at the household level. Examples of the ways in which jobs created and income gains were reported in USAID TCB project documents are provided below.

Jobs Created

- In Mexico, the Sustainable Product Alliance project reported that *603 permanent jobs and 5961 temporary jobs were created through this project. A felicitous outcome of increased capacity for secondary processing is the increased employment opportunities for women — some plants count women as over 50% of their total employees.*
- In South Africa, an evaluation reported that USAID’s SAIBL project *generated over 18,000 jobs. (The beneficiary enterprises have created 8,020 jobs since inception, of which at least 1,309 they directly attribute to the program. Of the SAIBL clients, 70% had increased their number of employees since inception of their association with SAIBL.*
- In Bosnia and Herzegovina, USAID’s project reported that *LAMP grants created 301 new jobs with nearly 10,500 indirect beneficiaries. Due to increased productivity and processing capacity, the firm was also able to greatly increase its number of full-time and part-time employees. Additionally, the business has generated significant rural employment of wild mushroom collectors that increased from 300 in 2003 to 600 in 2007.*
- In El Salvador, USAID’s AGRITECH 21 project reported that *1,330,549 new employment days were created. This exceeded the target by 480,549 or was 57 percent higher than the target.*
- In Jordan, at the end of USAID’s JUSBP2 project, it reported on the actual number of jobs created and saved. *The four-year target was 550. The actual figure achieved was 1,112, of which 1,039 jobs were generated and 73 saved.*

Projects also reported on the status of jobs when external factors yielded unexpected results.

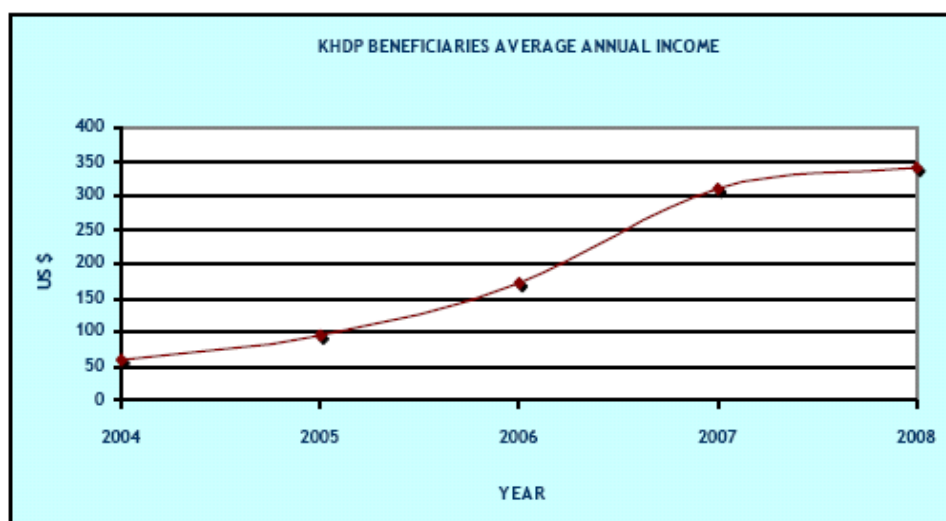
- In Egypt, the APRP project, which began prior to the evaluation study period, but was completed within that period, reported *an employment decline. Employment at Delta dropped from a high of 2,096 workers in 1991/92 to 1,142 workers in 2000/01, a decline of 45.5%, but it increased to 1,420 workers in 2001/02 because 700 workers were hired on contract to provide enough labor to gin the much larger 2001 crop (than the prior two small crops in 1999 and 2000). The net result of all the above changes was decreased overall employment in the ginning industry from a high of 8,799 workers in 1991/92 to 6,144 in 1999/2000 and 6,269 workers in 2001/02, a 34.7% decline.*
- In Macedonia, the Aid to Artisans project reported as follows: *Total number of artisans/employees directly benefiting from project activities: Target: 2700; Result: 1475 Percentage of women artisans directly assisted by project activities: 48% Percentage of men artisans directly assisted by project activities: 42% Individuals benefiting from the project, including: family members supported by artisans, forward-backward linkages, related industries, and service providers: Target: 7,500; Result 5,900, (Note: an additional 20,000 individuals represented by the Textile Trade Association benefited from MADE activities)*

- In Iraq, the VEGA-PSDI project found that *the selected grantees had acquired a total of 423 new employees, including 79 (19%) female employees and 344 (82%) male employees over the past year since grants were disbursed.*
- For USAID/Haiti's SHAPE project, an evaluation calculated the project impact in human terms using the number of individual artisans that had benefitted from participation in the project and multiplying these individuals (2,983) by the number of family members they support (3-6). The evaluations estimate of individuals who benefitted from income derived from artisan participation in this USAID project was 9,000-18,000.

Income Gains

- USAID's Kenya Horticultural Development Program reported that *income data collected from a sample of 7,000 KHDP-assisted growers in 2009 showed that the 58,000 direct beneficiaries of interventions by KHDP and its BDS partners had increased their annual net earnings from growing horticultural crops by an average Ksh 24,000 (\$340) between the time they joined the program and March 2009.* A graphic representation of these changes was included in the project report and is shown below in Figure 42.

FIGURE 42. INCOME GAINS REPORTED BY THE KENYA HORTICULTURAL DEVELOPMENT PROGRAM

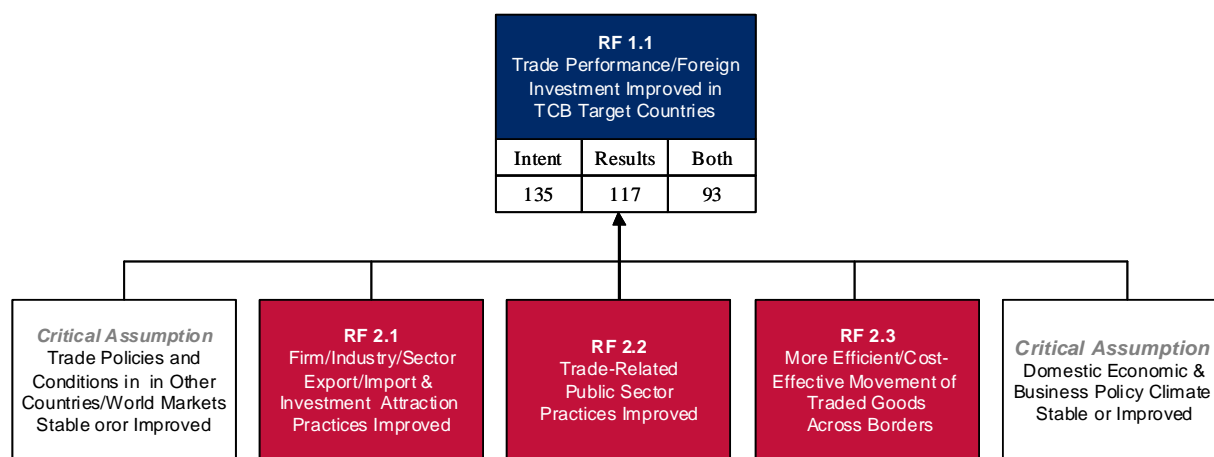


- In Pakistan, the USAID PISDAC project reported that *the net present value (NPV0 (2006) of additional incomes to the economy (returns to capital and labor) of this initiative is US \$32.0 million. Thus, each \$1 of USAID funding for PISDAC's SWOG initiatives is expected to generate at least \$19 of economic benefits for the economy of Pakistan, a 19:1 ratio under this measure.*
- In Bolivia, *for every USAID dollar spent on the project, \$1.15 of increased income was generated by project end. For every dollar of increased income that MAPA was contractually obligated to generate, it actually produced \$24.56 of increased income. Extrapolating the curve showing increased income; it may be that around the end of 2006, the increased income will have reached \$40 million, or almost double the cost of the MAPA project. The third line shows the multiplied impact of the increased income on the economy of Bolivia. By project end, that figure exceeded \$78 million. The end of MAPA does not signal an end to these benefits. These increases in income will continue to accumulate long into the future.*
- In Colombia, *the productive activities supported by CAD (until December 2005) generated US\$57.4 million in incomes, corresponding to a figure of C\$ 411,000 per beneficiary family per month (US\$171). Of this amount, US\$43 million pertained to CAD families, while US\$17.6 million was generated by off-farm wage payments to non-CAD families.*

SECTION II. PROJECT RESULTS AT THE RF 1.1 LEVEL

Improved trade and investment performance in TCB target countries is the highest trade-specific result on which USAID TCB projects focus. This result is shown at the RF 1.1 level in the Results Framework segment shown in Figure 43. USAID standard indicators for tracking improved trade and investment performance include *the total value of exports in targeted sectors; the total value of imports in targeted sectors, and foreign direct investment as a percentage of GDP*. In addition, field projects sometimes report on the volume of exports/imports at this level or on tourism revenues or numbers of visitors. Figure 43 also shows, below the description RF 1.1, the number of projects in the set of 256 the evaluation examined for which improvements in trade or investment was a stated objective (135), the number that reported on results at that level (117), and the number that both aspired to and reported on improvements in trade or investment performance (93).

Figure 43. RF 1.1 TRADE AND INVESTMENT PERFORMANCE IMPROVED



As Figure 43 illustrates, USAID posits that improvements in trade and investment performance depend upon a number of factors. External factors, such as world prices, are shown on the far left in this segment of the TCB Results Framework. USAID TCB projects that focus on improvements in trade performance as one of their intended results often make assumptions about how external factors will behave. The Results Framework below follows that practice by designating them as critical assumptions. To the right of this assumption are three intermediate results or causal pathways to improved trade performance. As described in Part One of this report, RF 2.1 focuses on changes in private sector practices and related results, measured by numbers of export contracts signed, new products exported, new markets accessed, etc. RF 2.2 focuses on changes in public sectors practices and related results, which are monitored using indicators that capture information on transparency and predictability in licensing, procurement, etc., as well as tariff reductions. RF 2.3 focuses on the more efficient movement of good across borders that result from investments in projects that facilitate trade and are measured using time and cost indicators. On the far right, improvements in domestic economic and business policies are shown as critical assumptions for trade projects, thought it is recognized that in some countries USAID may also fund projects that foster improvements in domestic economic and business policies. Each of the three intermediate results identified above represents a cluster of results that support improvements in trade performance. These results clusters are discussed further in Sections III-V of Part Two of this report. As discussed in Part One of this report, the cause-and-effect logic of this segment of the Results Framework was developed based on USAID documents as well as on published studies that examine the determinants of trade performance.

A. TYPES OF TRADE AND INVESTMENT RESULTS AT THE RF 1.1 LEVEL

Trade and investment performance results were reported for 117 USAID TCB projects from 65 different countries. Documents for these 117 projects identified increases in merchandise exports, exported services, including tourism, as well as investments and imports. The frequency with which projects reported on each of these RF 1.1 results is shown in Table 32. Some projects reported on results in more than one of these categories.

Table 32. **TCB RESULTS FRAMEWORK LEVEL 1.1**
(n= 117)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 117 Projects Reporting Results |
|--|--|--|
| Merchandise Exports (value/volume/sales) | 97 | 83% |
| Investments (FDI/domestic) | 17 | 15% |
| Tourism (visitors/revenue) | 9 | 8% |
| Imports | 3 | 2% |

In the paragraphs below, these types of trade and investment improvement results are described briefly. This is followed by a somewhat longer section that describes sub-clusters of export results in the agriculture, manufacturing and service sectors.

I. Export Results – an Overview

Merchandise exports, which include both manufacturing and agricultural exports, were reported by 83 percent of the 117 projects for which export results were documented by project implementation teams. Service sector exports in the USAID TCB portfolio come mainly from tourism projects. Exports were reported by projects in all of the geographic regions in which USAID works. Investment and import results were reported less frequently.

a. Exports from Country-Specific Projects

Examples of country-specific projects that yielded export results are provided in Table 33. As these examples illustrate, projects vary with respect to the metrics they used to report on project results. Exports were reported either separately or jointly with domestic sales, on a value or volume basis. As a result, the MSI team was unable to aggregate project-level data into a reliable estimate of the total exports for the set of projects it examined. Further information on project exports on a sector-specific basis is provided in Section II.B below.

b. Exports Facilitated on a Regional Basis by USAID Trade Hubs in Africa

In addition to exports generated by USAID projects in specific countries, USAID supported exporting through various regional projects. Illustrative of these regional efforts are several “trade hubs.” These are entities that work with producers/exporters throughout a region. Documentary information on exports from USAID-supported trade hubs was found in USAID project documents. These data were validated and updated at the end of 2009 through e-mail communications with the trade hub project staff. They show that USAID trade hubs facilitate significant levels of export shipments:

Table 33. **EXAMPLES OF EXPORT RESULTS BY PROJECT LOCATION**

| USAID Project Location (Country) | Type of Trade Performance Result | Project Document Excerpt |
|---|----------------------------------|--|
| India: Partnership for Food Industry Development (PFID) (2004-2007) | Exports | Kay Bee, a Maharashtra-based export firm, sourced approximately 40,000 dozens of EurepGAP -certified mangos, or roughly 100 metric tons, from at least ten mango growers affiliated with the PFID mango market development project. The U.K. was the primary destination, but a portion of this order was shipped to other European capitals and Japan as well. |
| Rwanda: Agribusiness Development Assistance to Rwanda (ADAR) Project (2000-2006) | Exports | Since 2003, Starbucks has purchased coffee from 10 USAID ADAR project clients and is now the largest importer of Rwandan coffee in the U.S. Starbucks selected two ADAR clients for their ultra-premium “Black Apron” offering in the spring of 2006. Between 2005 and 2006, the number of containers shipped rose from three to thirteen. |
| Romania: Enterprise Development and Strengthening Program For Romanian Micro, Small and Medium Sized Enterprises (MSMEs) (2003-2007) | Tourism | The number of international tourists visiting Romania increased by 10.2% over the life of the project. Stay lengths by foreigners in rural guesthouses have increased by 34.8% over 2004, with longer average lengths of stay correlating directly with increases in tourist spending. |

- As of the end of 2009, USAID’s West Africa Trade Hub (WATH) reported that it has facilitated over \$11 million in exports to the U.S., \$1.3 million in intra-regional trade, and \$3.6 million in investment, for a total of \$15.9 million.
- In East Africa, USAID’s trade hub reported facilitating exports valued at \$28 million, of which \$8 million were delivered in the first nine months of FY 2007/2008.

USAID’s trade hub in Southern Africa reported facilitating more than \$47 million in new and pending export deals.

Regional projects in other parts of the world, such as Central America and central Asia, also worked with several countries to expand exports, but did not create the types of trade hubs described above that USAID developed in Africa.

2. Investment Results

Investment results account for 15 percent of the results reported by projects at the RF 1.1 level. The MSI team’s review of project reports shows that they include a mix of domestic and foreign direct investment (FDI). In some projects the terms “trade and investment” consistently appear together, and results are reported in combination rather than separately for investments and trade. Several illustrative examples of projects where investments are identified separately are provided below in Table 34.

Even when investment figures are provided in project reports, little is said about what those investments paid for or how investment funds were generated. An important exception in this regard was the investment-attraction component of USAID/Croatia’s Enhancing Small and Medium Enterprise Performance (ESP) project, which included a distinct component focused on FDI. Results for that project are described not only in the aggregate but also in the form of case studies. While other projects may have been equally effective in attracting FDI, their project reports offer fewer practical insights from which other projects might learn. Two ESP FDI-attraction case summaries illustrate what investment attraction meant in this project:

Table 34. **EXAMPLES OF INVESTMENT RESULTS BY PROJECT LOCATION**

| USAID Project Location (Country) | Type of Trade Performance Result | Project Document Collection Excerpt |
|--|----------------------------------|---|
| Bulgaria: Volunteers for Economic Growth Alliance Bulgarian Trade and Development (VEGA/BTD) Project (2004-2007) | Investments | The combined value of investments and trade linkages established through the project was \$1,039,439. One investment linkage was established between a biotechnology company and the Bulgarian consulting firm, Elana Investment, which invested venture capital into the products of Honey Plus, a local firm. |
| Madagascar: Business and Market Expansion (BAMEX), (2004-2008) | Investments | Facilitated about \$369,000 of investment through the refinancing and guarantee fund (FIEFE). Promoted investment in the seed and jatropha value chains, leading to major investments by Castells, DI Oils, Neo, and JSL. |
| Kosovo: Kosovo Business Support Program, (2000-2004) | Investments | More than 13 million Euros of investment facilitated in 238 client companies. |

- The Business Zone Janjevic (MPC) was launched in Donji Miholjac: With the support of the investment facilitation team, the local government created a comprehensive investment promotion program and undertook other major steps to attract DI and FDI in the Donji Miholjac region, which was struggling with high unemployment and a poor business climate for many years. To support this initiative, the Business Zone Janjevci pilot project was launched in June 2005 with the aim of boosting new investments and generating new employment by offering 17 hectares of serviced land for investment under very attractive conditions in the first phase. Within a single year, 13 investors signed contracts with the city valued at \$39 million, with the potential to create 450 new jobs.
- New investment was facilitated by Caristrap International Inc.: *With the support of the investment facilitation team, the Canadian company Caristrap International Inc., established a logistics center for Europe in Zagreb in May 2005 to support ongoing European sales network development. The investment facilitation team assisted and continued working with Caristrap, which decided to establish a factory in Croatia as the regional center of its international strapping business (manufacturing woven and nonwoven straps for all types of applications, including buckles, tools and accessories.) The company invested €2,000,000 in a production plant in Mijovljani (Krapinsko-Zagorska County) and hired 23 Croatians from a local district with high unemployment. Furthermore, their production now uses machines and equipment that were produced and assembled by Croatian companies.*

Similar results were also reported in other countries:

- With assistance from the USAID COMPETE project, a targeted foreign direct investment recruitment effort netted a commitment from Sri Lanka's largest garment manufacturer and exporter to build an apparel manufacturing enterprise in Uganda catering principally to the American market under AGOA.

Additionally, a few projects also reported on efforts to attract investment, including in Iraq, where USAID supported the establishment of the Iraq Investment Promotion Agency to help Iraq attract foreign direct investments and increase private sector employment.

3. Import Results

Projects focused on import results were encountered even less frequently in the USAID TCB portfolio than projects with an investment attraction element, and represent just two percent of the RF 1.1 results reports. Table 35 illustrates the ways in which these projects operated.

Table 35. EXAMPLES OF IMPORT RESULTS BY PROJECT LOCATION

| USAID Project Location (Country) | Type of Trade Performance Result | Project Document Collection Excerpt |
|--|----------------------------------|---|
| Egypt: Commodity Import Program (CIP) (1999-2003) | Imports | During fiscal years 1999-2003, about 650 Egyptian firms used the CIP to import \$1.1 billion in U.S. products from approximately 670 U.S. exporters. |
| Angola: ProAgro Regional Trade Angola (RTA) (2004-2007) | Imports | With the imports and sales of more than \$837,261.52 of agricultural inputs, equipment, and technologies, the project has highly surpassed its original targets of \$300,000 and is well on its way to achieving its 27 month (end of project) targets. |

The most significant example of import results in USAID’s portfolio was the Egypt Commodity Import program.

- A GAO review of the USAID-managed Commodity Import Program (CIP) surveyed local businesses and found that 49 percent of survey respondents said that the CIP helped increase their firm’s production capacity and 32 percent said that the program helped increase their firm’s employment levels. According to the firms we surveyed, USAID’s CIP clearly has helped firms become more competitive and their operations more cost efficient. Overall, they said that CIP accounted for 15-20 percent of their firm’s growth. The importers surveyed Reported that they used the CIP chiefly because of three program features—the fixed exchange rate, interest-free grace periods, and the ability to repay loans in Egyptian pounds. Although three-quarters of the U.S. exporters surveyed indicated that they would have exported goods to Egypt without the CIP, almost half said that the CIP helped their firm increase its exports to Egypt.

Another project that included a strong focus on imports as well as exports was the USAID Regional Trade Promotion (RTP) project in Central Asia, which facilitated trade beyond this region. Table 36 below (included in that project’s final report) highlights both export and import trade achieved with 10 partner countries.

Table 36. TOP 10 PARTNERS OF USAID’S CENTRAL ASIA RTP PROJECT

| Number | Country | Value of Export Deals (\$) | Value of Import Deals (\$) | Total \$ Value of Deals | Total RTP Deals (%) |
|--------|-------------|----------------------------|----------------------------|-------------------------|---------------------|
| 1 | Russia | \$8,080,888 | \$12,268,966 | \$20,349,854 | 16.19% |
| 2 | USA | \$896,999 | \$5,698,954 | \$6,595,953 | 5.25% |
| 3 | Germany | - | \$5,358,374 | \$5,358,374 | 4.26% |
| 4 | China | \$2,446,530 | \$2,686,790 | \$5,133,320 | 4.08% |
| 5 | Afghanistan | \$3,870,874 | \$62,340 | \$3,933,214 | 3.13% |
| 6 | Poland | \$74,173 | \$3,405,432 | \$3,479,605 | 2.77% |
| 7 | Ukraine | \$316,575 | \$2,563,032 | \$2,879,607 | 2.29% |
| 8 | Lebanon | \$1,680,000 | - | \$1,680,000 | 1.34% |
| 9 | Iran | \$1,463,560 | \$55,650 | \$1,519,210 | 1.21% |
| 10 | Belarus | \$266,875 | \$1,042,570 | \$1,309,445 | 1.04% |

Source: USAID Regional Trade Promotion (RTA) project in Central Asia

With this overview of the range of RF 1.1 results reported by USAID TCB projects as a backdrop, the next section turns to a detailed discussion of USAID TCB export project results on a sector-specific basis.

B. RFI.I EXPORT BY SECTOR

Of the 256 projects the evaluation team reviewed, 181 had a clear sector focus. Of these, 141 (78 percent) focused on one or more agricultural products, either exclusively or in combination with a focus on products in other sectors; 67 (37 percent) focused on one or more manufactured products, and 55 (30 percent) focused on one or more service products, as shown in Figure 44. As this figure also shows, 71 projects (40 percent) focused on products in two or more different sectors.

FIGURE 44. OVERLAPPING SECTOR FOCUS IN PROJECTS.
(N = 181)



a. Approaches Used to Facilitate Exports from All Sectors

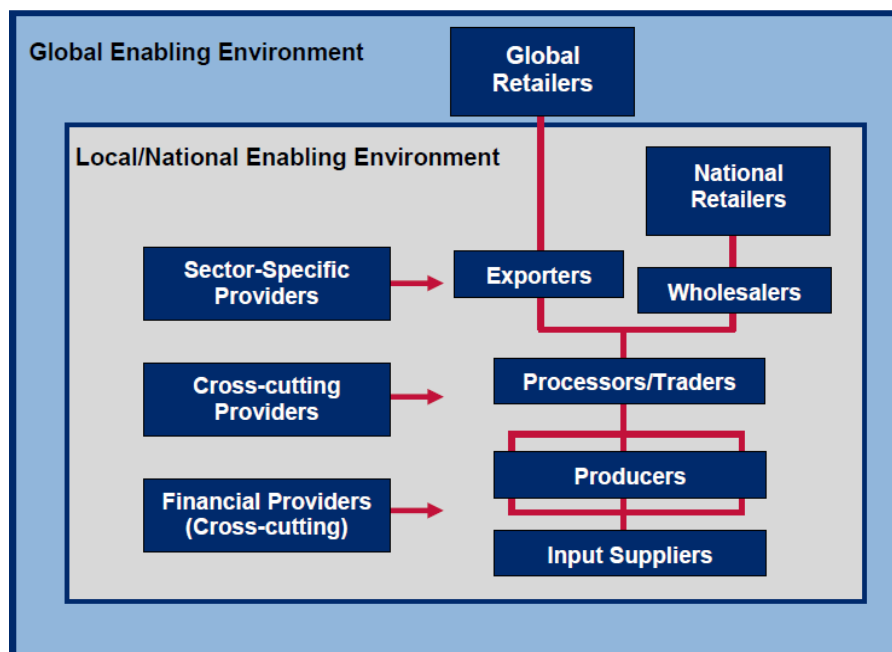
Before turning to a discussion of the specific products upon which export projects focused, it should first be noted that two approaches to enhancing productivity and realizing export gains were referenced so frequently in export project documentation that they warrant a brief explanation. These two approaches help explain how export-oriented projects operated as well as why many of these projects focused on multiple sectors, i.e., two or more very different types of export products or services.

The first of these two approaches, employed in both the agriculture and manufacturing sectors, is called a “value chain” approach. The second approach, which sometimes included products from all three sectors, is called a “cluster approach.” Both approaches trace their origins to the work of Harvard Business School professor, Michael Porter. Value chains, as explained below, were introduced in a generic form in his book, *Competitive Advantage: Creating and Sustaining Superior Performance*, which was published in 1985. His 1990 book, *The Competitive Advantage of Nations*, generated interest in the effectiveness of a cluster approach to industrial development, as described below.

- **Value Chain Approach**

This approach to the production and sale of a product stresses the importance of vertically integrating a supply-production-processing-marketing sequence. Value chains link suppliers to producers and producers to buyers, sending information about what is needed up and down the chain and leading to improvements in product quality as well as efficiency, as illustrated in Figure 45 (taken from USAID’s 2008 Value Chain Framework Briefing Paper).³⁸

FIGURE 45. VALUE CHAIN ANALYSIS



Source: USAID MicroLinks Project (2008)

In all, 52 (29 percent) of the 181 sector-specific projects reported employing value chain concepts in their project design. When the value chain model was used, the MSI team noted that some characteristics of that approach were used in multiple countries, but not all of the countries that used value chains. For example, some projects identified a lead firm around which to structure a value chain. The lead firm was a key producer, whose lead other firms were likely to follow, or a key buyer who worked with a group of small producers in a value chain, establishing the utility of well-developed buyer-supplier linkages. Another approach seen in some projects involved branding products from a particular country using a locally developed quality certification process. USAID/Macedonia, for example, uses a Seal of Quality approach in its dairy and livestock programs as a branding mechanism.

- **Cluster Approach**

The term “cluster approach” was originally used by Porter and others to identify economic activities that were mutually reinforcing within a defined geographic area and were often spawned by a concentration of firms in a single industry, such as information technology firms, aerospace companies in the U.S., or call centers in India. Clusters of this sort are made up of firms with parallel needs for support services. Firms that support these clusters grow by serving multiple similar clients, as well as by being a magnet for the types of skilled personnel their clients require. Industrial parks are also geographic clusters in this sense,

³⁸ Ruth Campbell. “Value Chain Framework Briefing Paper”, USAID MicroLinks Project (2008) available at http://www.microlinks.org/ev_en.php?ID=21629_201&ID2=DO_TOPIC

but often the types of firms that locate in industrial parks or export zones are quite heterogeneous and the clustering effects less synergistic.

As applied in USAID projects overseas, the cluster approach usually involves the identification of several industry or product groups that seem to have good prospects for export success, with subsequent efforts being made to work with a number of firms or farmer groups in each industry or product line to make all of them more competitive. In some cases the firms in this type of cluster may be located in close proximity to each other, but that is not always the case. Manufactured exports covered a wide range of products and were often elements of projects that used a “cluster approach” through which several firms dealing with several potential exports received assistance. A number of projects that focused on merchandise exports worked to enhance the export of products in several sectors: USAID/Jordan’s AMIR project, for example, focused on footwear, olive oil, and several other products.

In the international development context, the cluster concept has been expanded beyond manufacturing and includes agricultural products as well as tourism in cluster strategies. Among the projects examined by the evaluation team, 37 (20 percent) of the 181 sector-specific projects mentioned a cluster approach as being an element of the project’s design. In 15 projects, both clusters and the value chain approach were used. Given that these data reflect only that portion of USAID projects for which documents were available, these numbers may under-represent the number of USAID TCB projects that utilize one or both of these models. As Table 37 illustrates, USAID projects sometimes elected to work with product clusters from different sectors. Column 4 in Table 37 below, illustrates the range of products exported by a single project, while Column 3 indicates whether the project focused on new as well as existing export products, and Column 2 highlights the innovations that projects indicated they introduced.

Table 37. ILLUSTRATIVE PRODUCTS IN TCB COMBINATION EXPORT PROJECTS

| Country | Innovative Project Features Cited | Export Characteristics Cited | Export Products Cited |
|------------|--|--|--|
| Peru | Introduced new technologies and processes | Existing export products; existing markets, i.e., no mention of “new” export products or markets | Trout, coffee, artichokes, jewelry, flowers and plants, tara, household goods, textiles, natural colorants |
| Ghana | Introduced new technologies and processes | Existing export products; existing markets | Okra, papaya, mango, pineapple, chilies, cashews, tomatoes, onions, maize |
| Egypt | Increased production, value added | Existing export products; existing markets | Meat; dairy products |
| Madagascar | Introduced new processes, increased production | Existing and new products (jatropoha); existing markets | Litchis, coffee, gemstones, jatropoha, medicinal plants (clove, cinnamon, geranium, ginger, vanilla) |
| Ukraine | Value added | Existing export products; new markets | Construction materials, furniture, home furnishings, processed fruit and vegetables |
| Indonesia | Introduced new technologies; increased value | Existing export products; existing markets | Coffee, cocoa, rubber, broccoli, fruit, flowers |
| Nicaragua | Introduced new technologies; increased quality and value | Old and new (natural rubber) export products; existing markets | Coffee, bananas, coffee, roots, tubers, beans, squash, lettuce, chayotes, natural rubber |
| Colombia | Introduced new technologies; increased value | Existing export products; existing markets | Fruit, cacao |

With these two approaches in mind, the following sub-sections examine the types of agricultural products, manufactured products, and service sector exports that were the focus of the USAID TCB projects examined in this study.

b. Agricultural Exports from USAID TCB Projects

As indicated above, agriculture was the sector most frequently addressed by USAID TCB projects with an export focus over the period from 2002–2006. Agricultural exports were a focus in 78 percent of the 118 projects that described efforts to export specific products or services. On a regional basis, agricultural exports were more prevalent in Africa and Latin America and the Caribbean (LAC) than in other regions where USAID works. The value chain approach described above was frequently employed in these projects. The use of improved technology was also a hallmark of projects in this sector, including approaches ranging from improved planting techniques to better use of fertilizer or improvements in post-harvest handling, packaging, and shipping.

Table 38 below organizes the products most prevalent in projects with an agriculture-sector focus by SITC codes and shows the frequency with which projects reviewed cited a focus on each kind of export. As the table shows, export-oriented production of vegetables and fruits (SITC code 05) outstripped all other product categories in this segment of the USAID 2002–2006 TCB project portfolio and was mentioned in project documentation of 32 percent of all projects reviewed that had an agricultural sector focus. The next most frequently mentioned exports were coffee (cited by 14 percent of projects) and wood (7 percent). These three product categories will be discussed in the sections that follow.



Exporting okra to the U.S. with USAID assistance has raised family incomes in Nicaragua. Source: USAID.

Table 38. AGRICULTURAL PRODUCT FREQUENCY IN USAID TRADE CAPACITY BUILDING PROJECTS (2002-2006)
(n =141)

| SITC Code | Expanded Product Descriptions | Number of Projects Citing Each Product |
|-----------|-------------------------------|--|
| 00 | Livestock | 4 |
| 01 | Meat | 7 |
| 02 | Dairy | 8 |
| 03 | Fish | 8 |
| 04 | Corn/Maize | 7 |
| 04 | Rice | 2 |
| 04 | Cereals, n.e.s. | 3 |
| 05 | Tomatoes | 7 |
| 05 | Peppers, chilies | 6 |
| 05 | Vegetables, other | 39 |
| 05 | Mango | 8 |
| 05 | Banana | 8 |
| 05 | Pineapple | 6 |
| 05 | Fruits, other | 11 |
| 05 | Nuts | 10 |
| 06 | Honey/Sugar ³⁹ | 5 |
| 07 | Coffee | 21 |

³⁹ Five of the six focused on honey. One project in Nepal that focused on new agricultural products also supported a number of traditional crops, including sugar cane.

| SITC Code | Expanded Product Descriptions | Number of Projects Citing Each Product |
|-----------|--|--|
| 07 | Tea | 5 |
| 07 | Cocoa/Cacao | 7 |
| 07 | Spices or Herbs | 9 |
| 07 | Shea | 3 |
| 09 | Processed agricultural products, n.e.s | 6 |
| 11 | Beverages | 2 |
| 15 | Coconut, edible | 1 |
| 22 | Soybeans | 3 |
| 22 | Seeds | 2 |
| 26 | Cotton | 5 |
| 27 | Sea salt | 1 |
| 29 | Flowers/Plants | 7 |
| 29 | Seaweed | 2 |
| 53 | Natural colorants | 1 |
| 55 | Essential oils | 2 |
| 29 | Gum Arabic | 2 |
| 42 | Oil, e.g., sesame, olive | 3 |
| 63 | Wood, other than furniture | 10 |

Vegetables and Fruits (SITC 05)

A total of 45 (32 percent) projects of those 141 projects with an agricultural-sector focus described their vegetable exports, with chili peppers representing the most frequently cited, specific vegetable export from USAID TCB projects. In parallel, 33 projects (23 percent) described exports of fruits, with the most frequently identified fruit export being mangos (8 projects), bananas (8) and pineapples (6). In some instances, projects exported both vegetables and fruits. Examples below illustrate both successes and difficulties experienced with projects that focused on vegetables and fruits:

- In Senegal, USAID's project reported that *528,687 kg of unprocessed cashew nuts were sold this year, including 136,632 kg to local processing units and 392,055 kg to the bana-banas, to be exported to India. The value of these nuts FOB in India is \$215,630, which comes out to \$0.55/kg.*
- For Guatemala, USAID's globally funded Partnerships for Food Industry Development (PFID) project reported that *since January 2005, over 11 million pounds of vegetables (peas, beans, mini squash) produced by farmers who are implementing the Good Agricultural practices program, have been sold in European, US and regional markets with a combined value of over \$4.3 million.*
- In Moldova, *over 2,890 tons (96% of total apples stored) were exported to Russia, Belarus, Ukraine and Romania. Through several promotional campaigns undertaken with the help of a USAID project, the company sold apples to local supermarkets, displacing imports from Italy, Hungary and Poland.*

Not all projects work smoothly, however. Some project reports describe issues that arose and limited project success:

- A USAID project in Ghana reported that *the project assisted exporter to identify new buyers in Europe only to see them fail to deliver goods that met the requirements and satisfied the buyers in terms of volume, quality and frequency. Among the causes were the following: weak production base; poor or difficult access to quality seeds or planting material of specific varieties; lack of good planting materials; lack of new varieties of products to place on the market; poor post harvest handling and the lack of proper cost-tracking practices.*
- Similarly, in Kenya, working with a different product line, a USAID project reported that *high macadamia nut prices in the world market in 2003-2004 led to opportunistic buying and exporting of immature and poor quality raw nuts. This created a market backlash against Kenyan macadamia nuts and exports slumped by 55 percent in 2005-2006 due to lack of demand.*

Coffee (SITC 07)

Coffee exports were a focus in 18 projects, or 13 percent of the 141 projects operating in the agriculture sector. These 18 projects were carried out in 13 USAID TCB target countries.

Coffee was a product on which some regional projects in East/Central Africa, Central America, and Latin America focused. In Africa, coffee was also a focus in two mission-funded projects in Uganda and two in Rwanda; Tanzania, Malawi and Madagascar also had projects that focused on coffee. In Asia, mission-funded projects in the Philippines, East Timor, Indonesia, and Nepal included coffee as a focus. Similarly, in Latin American and the Caribbean, coffee was a focus in mission-funded projects in Mexico, Haiti, El Salvador and four Nicaragua projects.

In the context of an otherwise relatively unpredictable market over the years from 2002–2006, high-end, specialty coffee was a typically a strong and successful focus for projects.

- In Rwanda, USAID’s PEARL project initially worked with the 425-member Maraba Coffee Growers’ Association and other partners. With project assistance, *Maraba growers retrofitted their entire selection and processing system, including start-up of the new washing station, developed and implemented a business plan, obtained financing, and produced a high quality bean they sold to their first “quality” coffee customer, Community Coffee (US). Growers working with this project nearly tripled their cash incomes. Word soon got out in the Maraba district about the success of the association and thus membership in the association has grown to over 1,500.*
- Through a follow-on effort, USAID helped coffee growers develop a direct partnership with Starbucks, *which worked with two mills that produced coffee grown at high altitudes in soil rich in volcanic ash, giving the beans a distinct flavor. “Rwanda Blue Bourbon” as the coffee from this venture is called is now sold by Starbucks worldwide as the 10th premium variety in its Black Apron exclusive line.*
- Facing similarly dire circumstances at the outset, USAID’s Central American and Dominican Republic Quality Coffee project *yielded \$3.2 million in income for coffee growers who shifted to the premium coffee sector. This project, which worked closely with the Rainforest Alliance, also helped to reduce emissions from billions of gallons of contaminated water from coffee mills through the construction of new process lines and water treatment facilities where dirty water and residual byproducts were recycled on farms. The summary results for this project showed that export targets had been exceeded by 119%, and that 90% of those exports were Rainforest Alliance certified.*

Wood Products Other than Furniture (SITC 63)

Wood exports in this SITC category were a focus in 10 projects, or 7 percent of projects with an agricultural sector focus. Case examples illustrate the achievements of projects focused on the export of wood products, some of which integrate efforts to ensure that wood products targeting countries’ exports reflect USAID’s efforts to encourage the adoption of sustainable forestry practices.

- At the start of the USAID/Peru Poverty Reduction and Alleviation (PRA) project, the neighboring country of Bolivia had approximately 2.0 million hectares of forests under certified sustainable management and exploitation while Peru had none. *The Government of Peru (GOP) began to articulate a policy to stimulate sustainable, certifiable forest concession development and long term management. This opened opportunities for the PRA project, which then focused its forestry efforts in the Pucallpa economic corridor where social and political conditions are appropriate for attracting private sector business and investment interest in the forest sector. As part of this process, a custodial system for documenting and controlling each step of the extraction process, from the forest to final consumer, was developed. In addition, the Pucallpa ESC assisted NSC American Forrestral with locating new buyers as well as introducing new technology in the form of portable sawmills that were appropriate for sustainable extraction in the Sinchi Roca concession area.*

- In Mexico, through USAID’s project for Central American and Mexico with the Rainforest Alliance, *more than 30% of the focus was on FSC certified forestland, particularly twelve ejidos and communities in the states of Durango and Oaxaca. These communities own approximately 300,000 certified hectares and produce more than 300,000 metric feet of wood annually. With USAID TCB project assistance, the communities sold 2,953,607 bf of wood products for \$2.4 million in sales and invested more than \$5.7 million in upgrading their processing machinery and equipment. Wood sales more than doubled from the project’s original target. The source of the sales was a combination of improved production efficiencies (more lumber produced from the same harvest levels – especially for Durango) and new, value added products such as dried lumber, dimensioned lumber, and furniture. Both the improved efficiencies and new value added products depended on outside and community financing to invest in improved machinery, dry kilns and secondary processing equipment. A felicitous outcome of increased capacity for secondary processing is the increased employment opportunities for women —some plants count women as over 50% of their total employees. Of the \$5.7 million leveraged for investments in improved processing, nearly 80% came from the ejidos and communities themselves. Other programs that provided financing include: “Alianza para el Campo,” the National Forest Commission (CONAFOR), the Durango and Oaxaca state governments, loans from the Bank of Mexico, the Commission for Indigenous People (CDI), the Economy Secretary and other NGOs.*



USAID-Rainforest Alliance Certified Sustainable Products alliance works to certify and export Wood products from forestry concessions in Petén, Guatemala Source: Rainforest Alliance

- In Ghana, the TIRP/IPEP project provided assistance to the Kumasi Wood Cluster to develop new products from lesser-used species of wood and from bamboo to be sold in traditional and new markets. The project worked with producers on sharing the costs and other resources required to gain certification for their forest concessions and factory operations. *Among the cluster client firms, 30 were linked to potential importers of wood products from Ghana. Fourteen exported consistently to Western Europe and the United States. The total increase recorded was US\$16 million against a milestone US\$14.6 million. A total of 14 lead firms were identified in the value-added-wood-products sector, representing 140 percent achievement of the milestone target. Working with these lead firms, AMEX/IPEP staff provided assistance that resulted in 163 business linkages (79 percent of target) and 197 instances of constraint-reducing TA (179 percent of target). A total of 417 firm operators (439 percent of target) were trained, contributing to increased export earnings of US\$14.74 million (101 percent of target). Overall project-staff TA resulted in 82 instances of increases in 191 percent achievement of the milestone target. Fifty-seven instances of increased use of improved technologies (1,140 percent of target) were also recorded.*

c. Manufactured Exports from USAID TCB Projects

Of the sector-specific projects reviewed, 67 (37 percent) had a focus on manufacturing projects: of these, 16 (24 percent) focused exclusively on manufactured products, while the remaining 51 addressed a broader range of products, (including some agriculture or service sector products). Manufactured exports were a more frequent focus in Asia and the Near East (ANE) and LAC than elsewhere. Although project documents were not always specific as to what kinds of manufactured products projects were promoting, the evaluation team was able to generate a reasonably good SITC-based profile of the frequency with which projects focused on certain types of manufactured products, as Table 39 shows.

In its review of the types manufactured exports USAID trade capacity building efforts focused on during 2002-2006, the team noted an overlap in some USAID TCB projects with an export focus and those with a commitment to working with small and medium scale enterprises (SMEs). This may in turn have influenced product selection and the frequency with which certain types of manufactured product clusters—such as handicrafts, which are traditionally produced by individuals or small enterprises—appear in Table 39.

Table 39. FREQUENCY OF MANUFACTURED PRODUCTS IN PROJECTS (2002-2006)
(n =67)

| SITC Code | Specific Product | Number of Projects |
|-----------|----------------------------------|--------------------|
| 21 | Leather goods | 5 |
| 26 | Textiles | 9 |
| 51/52 | Chemicals | 1 |
| 54 | Medicine/pharmaceutical products | 2 |
| 66 | Construction materials | 2 |
| 82 | Furniture | 6 |
| 82 | Home Furnishings | 1 |
| 84 | Garments and Apparel | 12 |
| 89 | Jewelry and Gems | 7 |
| 87 | Surgical Instruments | 1 |
| 89 | Handicrafts | 12 |
| 89 | Light Manufacturing, n.e.s. | 2 |

The discussion that follows reviews project activities for those manufactured exports most frequently mentioned in the documentation reviewed by the team—garments and apparel, handicrafts, textiles, jewelry and gems, leather, furniture and home furnishings, and medical products—in order of the frequency with which each was encountered.

Garments and Apparel (SITC 84)

Garments and apparel were an export focus in 12 projects, or 18 percent of the 67 projects in this study that worked with manufactured exports; among these, apparel is the product cluster most frequently cited and is also one of several sectors focused upon by USAID-funded trade hubs in the Africa, including the Southern Africa Global Competitiveness Hub. This hub project regularly sends firms from Southern Africa to the Las Vegas apparel and textile trade show and considers sales from a South African children’s clothing firm to be one of this project’s success stories. In addition:

- In Serbia, USAID worked with the Apparel Association as well as directly with firms to increase their productivity and quality control. In its August 2006 Annual Report, the SEDP project reported that: *As can be seen in the chart, Serbian apparel production has begun to recover from its slump to hit nearly \$250 million in exports in 2005. Note that strong 2005 results follow the removal of most quotas on Chinese and other Asian production. The transition discussed above is showing signs of success. SEDP has been a major driver in this transition to new markets.*
- Similarly, USAID worked with the Association of Apparel and Textile Exporters in Bulgaria to increase interest in Bulgarian apparel production, which, according to project reports, *resulted in over 10% increase in Bulgarian apparel industry products exported to the EU market.* In some countries, specific firms and products are a focus; for example, USAID garment-related activities in Brazil focused on beachwear, while efforts in Morocco focused on children’s clothing.
- A project implemented in Pakistan targeted women who were not allowed by their husbands to work outside their home but who, nevertheless, made and sold embroidered products to earn money. This Pakistan project, called Behind the Veil, has won journalistic accolades for its assistance to women confined to their homes; its focus was primarily on the domestic market, but by the time USAID involvement ended, it had also begun to develop export linkages elsewhere. In Cambodia, USAID’s

project not only supported apparel exporting but also helped establish the Cambodia Garment Industry Productivity Center as a mechanism for sustaining competitiveness in that sector.

Handicrafts (SITC 89)

Handicrafts, a category that encompasses a wide variety of handmade products, usually created from natural materials, were an export focus in 12 projects, or 18 percent of the 67 projects that worked with manufactured exports. Handicrafts are the focus of a number of USAID projects implemented by Aid to Artisans in developing countries ranging from Guatemala to Macedonia. Aid to Artisans helps handicraft producers, including individuals and small firms, achieve their export targets by identifying niche markets and linking small producers together into networks or associations that help aggregate, sell, and deliver their projects to buyers. Handicrafts were one of a number of product categories that USAID's West Africa Trade Hub (WATH) project worked with, facilitating sourcing by Pier 1 Imports and other importers from the region. This trade, WATH notes, is shifting toward home décor more broadly, e.g., the integration of local fabrics and handicraft elements into pillows. This shift is transitioning exports from one product code (SITC 89 – items including handicrafts) to another (SITC 82 – home furnishings) over time.

Textiles and Yarn (SITC 26)

Textiles and yarn were a focus in nine projects, or 13 percent of those with a manufacturing focus. Projects with products in this group were found in Latin America and Africa as well as country-specific in Morocco. In Colombia, USAID's project studied a sample of the textile firms it assisted and found that these firms did better than the national average on exports and job creation, with the key structural difference between them being the higher profit margins realized by the firms assisted by USAID. In Morocco and in several East Africa regional projects, a focus on textiles was combined with assistance to the apparel sector. In both instances, little detail was available on experience with textile projects.

- In Laos, a USAID project worked to revive and expand the silk industry, though by the time the project ended most production was still marketed for domestic use. Projects in Moldova and Egypt included a focus on yarn, and a project in Mongolia focused on cashmere; by the end of its project *international partners in SAFICO and Cashmerefine were already selling products labeled with the Mongolian Cashmere mark, and Schneider Group, the largest fiber processor and reseller in the industry, had also come on board to market Mongolian cashmere.*
- In Ghana, textiles began to make a transition into the home furnishings market: *The use of the northern fabric, which had hitherto been limited to the sewing of smocks, was successfully extended to furniture upholstery. The TIRP/IPEP textile program trained northern weavers to improve weaving, extend looms, select and combine dyes, improve jointing, and make other adaptations that improved the quality of the fabrics to enable the TIRP/IPEP wood sector to promote them for furniture upholstery.*

Jewelry and Gems (SITC 89)

Seven projects the evaluation reviewed focused on jewelry and gems as one of their export projects, including:

- In Pakistan, jewelry and gems was one of six clusters incorporating a value chain approach that involved roughly 80 firms realizing sales in the range of \$10 million per year over the project life; members of this cluster formed the Pakistan Gems and Jewelry Development Company.
- In Bolivia, where jewelry is the most important export manufacturing industry, USAID's project worked closely with three of the main jewelry-making firms and saw jewelry exports rise by \$12.4 million, with project assistance generating 96 direct jobs in the process. The project also provided technical assistance to *Minerales y Metales* for the implementation of a jewelry production process, as well as *Centro de Capacitación de la Mujer*, a women's training center, for the development of handicraft models.

- USAID’s project in Sri Lanka worked with a cluster of firms in the gem industry on a business plan for a gem-testing laboratory. In Madagascar, USAID’s project worked with a similar cluster to develop a local gemstone market and to introduce these products at international trade fairs.

Leather Goods (SITC 21)

Leather goods were an export focus in five projects, or 7 percent of those with a manufacturing focus. In this area, USAID’s assistance helped projects expand markets for types of products that TCB target countries were already exporting, as illustrated by the following two examples.

- Despite leather products accounting for 20-30 percent of the dollar value of exports in Albania before USAID’s project was initiated, the leather sector was nevertheless selected as one of several product clusters on which the project would focus. Firms receiving USAID project assistance showed significant growth in exports, domestic sales, and employment over the 2004–2006 period of assistance. For these companies, exports grew 19 percent on average, with women-owned enterprises registering even higher growth rates (ranging from 20 to 22 percent from 2004 to 2006). Project documents report that over its five-year life, *leather footwear exports increased from \$13.5 million in 2003 to \$53.6 million in 2007; a gain of nearly 300 percent.*



Inspecting shoes prior to export in a firm in Macedonia. Source: USAID.

- In Bolivia, by contrast, USAID elected to start its activities in the leather sector by focusing on a company that already had the highest level of exports in the Americas, rather than working initially with smaller firms. Assistance centered around training, improved technology (including automation), and quality control helped the firm attain key international certifications. Project documents indicate that, as a result of Bolivia Trade and Business Competitiveness (BTBC) support, *exports of leather goods from this initial firm rose by \$816,000, while local sales grew by \$37,000, and 56 direct jobs were created. In addition, 50 SMEs were incorporated into the production chain, and 210 people were trained in this sector. Building from this base, BTBC then started working with two other mid-size firms aiming for further industry wide impact, including the involvement of still more SMEs.*

Furniture and Home Furnishings (SITC 82)

Furniture manufacturing was an identifiable component of six projects reviewed by the team. In some countries, furniture manufacturing was a focus of just one firm among the many firms that the project assisted. In other countries, USAID worked with several firms in this sector; such a project in the Ukraine yielded good results, with export earnings rising by 30 percent over the life of the project. A regional project in Latin America also focused on furniture and worked with firms in several countries. This Latin America regional project’s reports described the Dutch, U.S. and other firms to which these projects shipped their goods: one firm assisted by this project, Pueblo Nuevo, made a sale to IKEA that involved shipping 36,000 board feet of sofa furniture. In Vietnam, a USAID TCB project supported the manufacture of home furnishings, such as pillows and other accessories. One of the Vietnamese firms assisted by this project displayed its home furnishing accessories to buyers in High Point, North Carolina, who ended up purchasing over \$7,000 worth of samples and placing orders with the Vietnamese firm.

Medical Products (SITC 54 and SITC 87)

Medical products were the focus of only a few projects, but are important because they represent a relatively new type of product for which developing countries are finding external markets. In Jordan, a USAID project helped pharmaceutical firms seek certification in Europe. In Morocco, a similar effort was made to help firms meet standards for product entry into the United States, where FDA approval is needed for low-sodium salt products. In Pakistan, USAID’s project worked with a cluster of 50 firms that make surgical instruments,

helping them address certification and local product testing issues, as well as assisting them in establishing linkages with buyers in Switzerland and Germany.

d. Service Sector Results from USAID TCB Projects

Strengthening the services sector is a priority in a wide range of USAID TCB projects. Of the 55 projects shown in Figure 44 as having a service sector focus, the evaluation team identified 20 projects that focused on service sector exports. Of these, 15 focused on tourism, as discussed below; the remainder focused on information and communication technology (ICT), e.g., computer software development.

In addition to service sector projects with an export focus, the evaluation team encountered a number of projects that provided business services and other trade-related services to local producer/exporter firms to help them improve productivity, product handling, financial management, and the general management of their organizations. USAID TCB projects sometimes engaged these types of service firms to deliver services to producer firms in sectors on which USAID project focused. Less frequently, USAID project documents indicated that firms engaged in trade facilitation activities (e.g., shipping and trade finance) received assistance.

Tourism

Tourism projects were found in several parts of the world. In Eastern Europe, TCB projects included efforts to promote tourism in Bulgaria, Croatia, Albania, Serbia, and Montenegro. In East Africa, projects in Tanzania, Zambia, and Uganda also focused on tourism, as did projects in the Dominican Republic and the Caribbean within the LAC region. Promoting tourism was also an objective of country-specific projects in Morocco and Mongolia. Projects in Eastern Europe and Africa, summarized below, illustrate the variety that exists in these programs, not only in terms of how they are structured, but also with respect to the motivations that underlie initial work in this field.

Tourism was a fairly consistent component of projects in Eastern Europe:

- In Montenegro, USAID’s efforts focused on building institutional capacity, including strengthening the Montenegro Tourism Organization, the Faculty of Tourism at the University of Bar, local tourism organizations, and the skills of individual professionals, such as travel agents and hotel staff, by providing them with training in tourism management and marketing.
- USAID/Croatia’s tourism initiative started as part of an effort to strengthen small and medium scale enterprises (SMEs) but evolved to include larger firms as Croatia became an increasingly popular tourist destination. The project team and the mission were able to link the fact that their SMEs had focused in the right place at the right time to an expanding national tourism surge that drew in rising numbers of visitors and associated spending.
- In Albania, tourism and agriculture were combined in an export cluster project. In addition to sending industry representatives to an international travel industry fair and helping to prepare tourism-promotion materials, this project dealt with a number of specialized issues, including border-crossing delays and currency exchange issues, and focused on approaches to tourism that also addressed image issues. For example, the project organized a tour for journalists and a tourism initiative with a business-to-business (B2B) focus.
- Romania became the third country in the world to adopt an official “geotourism strategy.” The concept, developed by the National Geographic Society, refers to “tourism that sustains or enhances



USAID support for ecotourism and cultural tourism income in rural villages in Peru. Source: Tara Sabre.

the geographic character of a place—its environment, culture, aesthetics, heritage, and the well-being of its residents.”

- Tourism was also an important project component in Serbia, and after a USAID TCB project heavily promoted Serbia to the international travel industry, Lonely Planet named Serbia as one of the top 20 travel hotspots for 2005. Tourism now leads as one of the fastest-growing sectors of the Serbian economy

Tourism was also a component of several projects in Africa:

- In Uganda, tourism was one of five clusters in an export promotion project. This project began by bringing together firms, associations, and other organizations with no prior history of collaboration to develop a comprehensive competitiveness plan aimed at increasing tourism revenues from \$69 million to \$1.2 billion over 10 years. The plan received input from more than 150 organizations and individuals. Its implementation was facilitated by the contribution of more than 3,000 volunteer hours. In the course of its work, *the group discovered that the impact of Uganda’s tourism industry was vastly underreported and that tourism’s role was misunderstood. Although tourism is often called an invisible export, because much of the product is sold in other countries but delivered in Uganda, it accounted for about 25 percent of Uganda’s 2005 export earnings.*
- In Zambia, where tourism was also one of several clusters addressed by a USAID project, the initial focus was on industry associations, promotional materials, and country-wide training for hospitality industry workers. However, once the project was underway, project reports described a shift in emphasis towards small establishments: *The project re-oriented its assistance during the year targeting more of the smaller “up and coming” tourism enterprises in place of more well-established firms. It is the smaller firms in Zambia that provide a large proportion of tourism services - approximately 80% of tourist beds are in establishments with less than 15 beds – but that are in most need of help with respect to product delivery and quality standards.*
- In Tanzania, by contrast, tourism was only included as small element of a larger conservation project that focused on preserving coastal areas and wildlife.

Information and Communication Technologies (ICT)

Projects with an ICT focus were found primarily, though not exclusively, in Eastern Europe. In Serbia, USAID’s export-focused ICT work fell under one of several clusters in an enterprise development project (SEDP). It included an effort to bring the country’s emerging industry in line with generally accepted *software development standards that revolve around the Capability Maturity Model Integration (CMMI) developed at Carnegie Mellon Software Engineering Institute (SEI). Training is the primary mechanism USAID’s project uses to deliver assistance, including a popular series of firm level trainings and an effort to integrate CMMI into the curriculum of the three main technical schools and into consulting companies. Serbian software firms are private and independent, and have many of their own distribution channels. Companies are very reluctant to engage in joint marketing activities and to share information on signed contracts, even with SEDP. This combined with long lead times for new clients to develop business, has made firm level market matching a challenge. Though there has been some firm-level success, most SEDP efforts have been at the broad training and sector levels.*

- In Moldova, where USAID’s project used training as an entry point with firms, the process was described as being slow. Nevertheless, this project’s continued efforts to help firms paid off when *two USAID assisted Moldovan information technology companies that offer advanced data security solutions, made a breakthrough on the international market, and became a USAID “success story.”*

SECTION III. PROJECT RESULTS FOR THE RF 2.1 CLUSTER

This cluster in the TCB Results Framework focuses on the trade practices of firms and farmer groups that receive USAID TCB assistance. The question of why some enterprises export while others do not is addressed in a multiple studies undertaken from a variety of perspectives. As reviews of this literature indicate, findings are fragmented and sometimes contradictory (Hoang, 1998; Nazar and Saleem, 2009). To the degree that a consensus exists, it is around the idea that a large number of factors inside and beyond the firm play a role. Both small and large firms export. Some firms start with a focus on the domestic market and evolve into exporting, while other firms are established with exporting in mind.

The types of assistance provided to these firms by USAID TCB projects aims to improve the international competitiveness of their products, such as their quality and cost, as well as the ability of developing country producer/exporters to deliver these products on a timely basis in the quantities required. USAID assistance also enhances the ability of these firms to enter new markets and conform to international market standards. Support that focuses on basic business practices helps firms and farmer groups increase their productivity as well as adopt new technologies and improved management practices, including the use of e-mail and the development of websites and online ordering and sales capability, where appropriate. In addition to enhancing the trade capacity and practices of producer/exporters, this RF cluster supports the development of domestic service organizations that provide training on international markets, international product standards, and basic business practices to local producer/exporters.

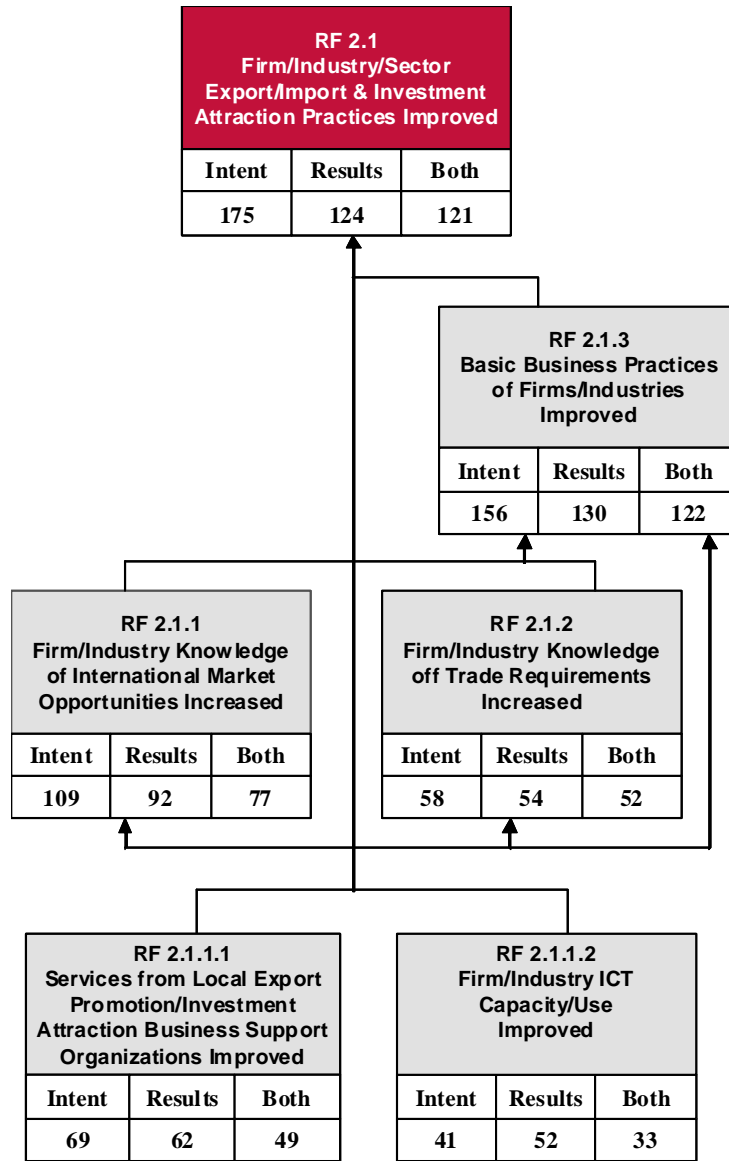
Performance indicators at the RF 2.1 level include measures that detect changes in the way firms engage in trade. Overseas, USAID TCB projects monitor the number of firms engaged in exporting; the absolute number of products exported; the quantity/proportion of exported products meeting international certification requirements; entry into new markets; and other project-specific measures. At the country level, measures such as the number of products countries export at the SITC 3 digit level as well as its export diversification index and its export concentration index are useful for understanding a country trade profile beyond the quantitative value of its exports or overall trade balance.

The cause-and-effect hierarchy of results for this Results Framework cluster is shown in Figure 46. The primary RF 2.1 result on which its intermediate results are focused is *improvement in the trade-related (export, import, and investment-attraction) practices of private sector firms*. This extends to whole industries, and entire sectors. Firms and farms (or farmer's groups) are the frontline actors upon whom improvements in trade performance depend.

Figure 46 also displays all of the intermediate results that support RF 2.1. Underneath each of these results statements, the number of projects (of the 256 the evaluation team examined) that stated an intent to achieve a particular result is shown on the left. The number that reported results is shown in the middle, and the number that both said they intended to achieve results and provided evidence that they did is shown on the right.

RF 2.1.1 and RF 2.1.2 focus on the trade-specific knowledge that producers/exporters require to succeed in international markets. RF 2.1.1 focuses on local producers'/exporters' knowledge on market opportunities and what they must do to capitalize on them. RF 2.1.2 focuses on specialized knowledge of trade requirements, with an emphasis on government regulations linked to international market standards and entry requirements, including SPS standards. RF 2.1.3, which focuses on basic business skills and practices, is set somewhat higher up on the diagram to indicate that sometimes new knowledge about market opportunities and requirements is what compels producers/exporters to adopt more efficient production methods or change their accounting or labor practices.

**FIGURE 46. RF 2.1 RESULTS CLUSTER:
PRIVATE SECTOR TRADE RELATED PRACTICES IMPROVED**



At lower levels, (RF 2.1.1.1) the Results Framework focuses on the capacity of support services provided to meet producer/exporter needs for trade-specific and basic business training and technical assistance. RF 2.1.1.2 highlights key ITC improvements that, alongside new knowledge and skills, help producers/exporters to improve their trade-related practices. In the RF 2.1 cluster, improving producers'/exporters' access to investment and working capital is treated as a critical assumption, since access to capital is normally provided by institutions or through projects that are not trade-specific, such as those which provide new sources of credit for all SMEs in a country regardless of whether they engage in importing or exporting.

1. RF 2.1 Results: Improvements in Private Sector Trade Related Practices

Of the 256 USAID projects the evaluation team reviewed, 124 (48 percent) reported that produced results in the RF 2.1 cluster, and documents available on 124 projects provided information on the actual achievement

of results at this level. Table 40 identifies the types of results listed in the project documents that discussed improvements in private sector trade-related practices.

Table 40. TCB RESULTS FRAMEWORK LEVEL 2.1
(n = 124)

| Narrative Description of Results | Frequency Result was Reported | Percentage of 124 Projects Reporting on RF 2.1. Results |
|--|-------------------------------|---|
| Formal business links (deals made, contracts signed) | 72 | 58% |
| Quality improved/local seal of quality | 29 | 23% |
| International standards met (ISO, international markets) | 28 | 23% |
| New products/tourism offerings marketed | 18 | 15% |
| Active marketing on internet/website | 15 | 12% |
| Importer actions (e.g., obtaining textile visas) | 3 | 2% |
| Investment attraction mechanism used | 1 | 1% |

Deals made and contracts signed were the most frequently offered evidence of results at this level, along with product certification and sales of new developing-country products in international markets. Illustrative examples of performance reporting in each of these areas are included below.

Deals Made and Contracts Signed

In Albania, USAID's EDEM project introduced a top luxury tour operator, Abercrombie & Kent, to Albania Holidays during the familiarization (FAM) tour organized in January 2007. Ongoing mentoring of this relationship resulted in a contract between these two companies.

In Kenya, Del Monte pineapples slices and concentrate produced from pineapples grown on Del Monte's plantation in Thika are the leading processed fruit products exported to the U.S. from Kenya. Building on this existing export relationship, USAID's KHD project successfully negotiated with Del Monte to secure a deal for producers working through the project to source single-strength mango and passion fruit juice from local processors buying from small-scale producers. In 2009, Del Monte placed a permanent order for frozen pulp of up to 500 tons/year, which is equivalent to the full capacity of the current equipment.



The USAID-funded ECA trade hub helped Rwanda close a deal with Macy's. Source: USAID.

In Uganda, USAID's APEP project work in the North with Mukwano on sunflowers showed that it is possible to have effective partnerships in post-conflict zones. In the case of Mukwano, what made the partnership so successful [for exporting] was not just its excess industrial capacity and the thousands of displaced farmers needing improved livelihoods, but the willingness of the corporate partner to invest in importing hybrid seed if APEP could supply the needed extension through its producer organization model. APEP was able to make the cost-benefit analysis turn out in favor of the sunflower farmers — a win-win for all. The hybrid seed changed the old pattern for both Mukwano and farmers.

Certification Achieved and Certified Products Shipped

From Guatemala, follow-up on the three years of the USAID Certified Sustainable Products Alliance project, which includes the Rainforest Alliance certified seal for coffee, documented that this seal had popped up in more than 20,000 retail outlets around the world as well as in major media outlets in the United States, Europe, Asia, and Australia. The number of coffee companies using the Rainforest Alliance seal increased from 78 to 324. In Macedonia, where USAID introduced a Seal-of-

Quality approach to product certification, over 40% of SOQ-certified companies increased SOQ product sales by at least 15% in FY06. The project strengthened SOQ standards to enable domestic products to better compete with imports and to increase exports and capitalized on Macedonia's recent entry into the World Trade Organization and its increasingly strong ties with the EU. Assistance to the lamb and sheep sector helped the industry to better meet the demands of export buyers, particularly those in Greece and Italy. The project also included a new component that assists Macedonia's fruit and vegetable producers and processors to improve linkages among themselves and traders, retailers, and wholesalers.

New Products Sent to Market

In Peru, a key feature of an Aid to Artisans project was reported to be *its emphasis on the development of new products. This effort sought to introduce new products corresponding with seasonal trends in the marketplace as well as with the needs of particular niches in the market toward which the product line was directed. International buyers are often reluctant to consider products from artisans they are unfamiliar with or who have no known reputation on the international market, in part because they have no guarantee of quality control or viability on the open market. By offering products from unknown artisans with products from better known artisans, AAEIPerú was able to display new products without the expense of overcoming the typical hesitancy on the part of buyers to examine unknown products. The project worked with 63 exporters and linked rural artisans to exporters to successfully reach international markets.*

Serbia, working with USAID SEDP project, Fresh & Co., began to produce raspberry juice for export. This innovative Serbian product received the World Juice Award for best new product worldwide for 2004.

In Honduras, USAID HACER project consultants and project participants generated 76 new product lines, many of which were marketed in the US and Europe.

Before the January 2010 earthquake in Haiti, USAID's Aid to Artisans program had made significant headway in reactivating export linkages for Haitian handicrafts. Several international buyers, such as Steve Todd Associates, Russoli Canceled, and K&M Imports, renewed import activities that had ceased prior to the project, as a result of ATA's support. In total, formal product development and design workshops have thus far yielded over 600 new products in over 100 new product lines designed by these international and local designers in collaboration with Haitian artisans. This is 317% of or well above the initial goal of 35 product lines for the project.

RF 2.1.1 Results: Knowledge of International Market Opportunities Increased

Expanding exports to existing markets, introducing new products, and penetrating new markets all require a strong knowledge of international market demand and variation in preferences across markets, as well as a set of tactical skills that many producers/exporters in developing countries either lack or possess only in reference to the markets they already serve. Even in such cases when buyers have sought out developing country producers (rather than the reverse), producer/exporters may know little about the customers in markets where they are already active.

Participation in trade fairs was the most frequently reported modality for increasing producer/exporters knowledge of market opportunities at this RF level, as illustrated in Table 41 below. This table also shows that a number of projects involved a market analysis (and its dissemination) or producer/exporter participation in USAID trade and investment trainings and workshops. In a number of cases, the market

PRODUCTIVITY CHANGE AND GROWTH BEGIN IN FIRMS AND ON FARMS

Economist Arnold Harberger reminds us that “all economic growth takes place at the level of the productive enterprise”—a term encompassing producers in all sectors and of all sizes, from microenterprises and family farms to multinational corporations. A country's income increases as its producers find ways to increase sales and reduce their costs of production—by using new and better machinery, hiring more and better-skilled workers, or more generally finding lower-cost ways to organize production and distribution and improve the quality of their goods and services in order to serve or create new markets. To sustain a higher rate of growth, producers must have incentives that motivate them to adopt a never-ending stream of such improvements. Any single improvement in technology or management boosts growth only temporarily.

Securing the Future
Strategy for Growth
USAID (2008)

analyses and trainings referenced in project documentation were provided by worldwide projects and IQCs administered through USAID’s EGAT project. While a few of these global projects involved technical assistance over a year or more, most provided for short-term studies, trainings, and short-term technical assistance. An illustrative list of USAID/EGAT globally funded projects is provided in Table 42.

Table 41. TCB RESULTS FRAMEWORK LEVEL 2.1.1
(n = 92)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 92 Projects that Reported RF 2.1.1 Results |
|---|---|---|
| Trade fair, conferences abroad, met contacts | 58 | 63% |
| Market analysis, market info, guides disseminated | 15 | 16% |
| Training, workshop, local marketing events | 12 | 13% |
| Local/regional network of producers, web contact | 5 | 5% |
| Knowledge/skills enhanced | 4 | 4% |

Table 42. ILLUSTRATIVE LIST OF USAID TCB PROJECTS ADMINISTERED ON A GLOBAL BASIS⁴⁰

| Selected USAID Global TCB Projects and Their Support Trade & Investment Development | | | |
|--|--|---|--|
| Award Number | Title | Implementing Partner | Types of Assistance Provided |
| PCE-I-11-99-00001 | Raise IQC | ARD-RAISE IQC Consortium | Short terms studies; Two year Technical assistance Timor-Leste Land Law; evaluations |
| PCE-I-00-99-00002-00 | Raise IQC | Development Alternatives Inc. | Short term studies; SPS assistance to governments; evaluations; |
| PCE-I-00-98-00013-00 | Seldon Project for Global Trade Law Assessments & Assistance (2002-2005) | Booz Allen Hamilton | Commercial Legal & Institutional Reform (CLIR); customs modernization handbook; |
| GEW-I-00-02-00018-00 | Greater Access to Trade Expansion (GATE) | Development and Training Services, Inc. (dTS) | Short term gender and trade studies; pro-poor trade analyses; training |
| PCE-I-07-97-00014 | Trade Enhancement Service Sector (TESS) | CARANA Corporation | Short term studies; Series of Impact of Transport and Logistics on Trade studies |
| PCE-I-00-99-00033-00 | Agricultural Policy Development Program | Abt Associates | Agriculture related studies for USAID Missions |
| CA A-00-02-00020-00 | Coffee Corps™ Volunteer Program (2003-2006) | Coffee Quality Institute | Fielded volunteers on coffee quality improvement assignments |
| GS-10F-0619N, Task Order No. EEM-M-00-06-00028-00 | TCB Bridge Task Order | Nathan Associates Inc. | FDI course; transport logistics diagnostic tool; monitoring and evaluation templates; |
| EEM-C-00-06-00022-00 | Business Growth Initiative Project | Weidemann Associates, Inc. | Cluster Approach Briefing Paper; knowledge capture case studies, various topical reports |
| PCE-A-00-01-00012-00 | Partnerships for Food Industry development | Louisiana State University | Medium-Term Technical Assistance: Ukraine, Moldova, South Africa, |

⁴⁰ The best way to access information about these projects in the USAID DEC is with their award numbers, provided on the left (where the team could find them).

| Selected USAID Global TCB Projects and Their Support Trade & Investment Development | | | |
|---|--|---|---|
| Award Number | Title | Implementing Partner | Types of Assistance Provided |
| | | | Nicaragua |
| EPP-A-00-04-00016-00 | Integrated Pest Management Support Program (CRSP) | Virginia Polytechnic Institute and State University (Virginia Tech) | Long term long-term, multi-disciplinary research and training activity |
| | Policy Synthesis Briefs | Michigan State University | Roughly 85 Policy Briefs between 1996 and 2009 |
| | Collaborative Labeling and Appliance Standards Program (CLASP) | Alliance to Save Energy, and others | Global alliance; energy efficient standards and labeling |
| | Finance Alliance for Sustainable Trade (FAST) | Root Capital | Analyses of finance for SMEs in trade, trade finance guarantee facility |
| | Agricultural Biotechnology Support Project II (ABSP II) | Cornell University | Technical assistance, studies in support of informed decisions about agricultural biotechnology |
| | Micro and Small Enterprise Development (MSED) | TCG International LLC | Technical assistance – credit for SMEs |
| | Program for Biosafety Systems (PBS) | International Food Policy Research Institute (IFPRI) | Training workshops, a competitive grants program |

Eight of the projects listed in this table were among those the evaluation team reviewed in detail by the evaluation. In addition to projects described in this table, USAID/EGAT bureau has a number of other arrangements through which it provides support to mission trade and investment programs. These include arrangements with other U.S. government agencies, such as with USDA/FAS focused on economic growth and agricultural development; with the Department of Homeland Security for customs training; and with the Department of Justice and the Federal Trade Commission. USAID/EGAT has also used TCB resources to fund grants to international organizations, such as a grant to UNDP on Integrated Framework and another to the ITC for capacity assessments for services exports. Internal to USAID, EGAT has transferred funds to other central bureaus for work on labor rights in export-processing zones carried out by the American Center for International Labor Solidarity (ACILS).

RF 2.1.2 Results: Knowledge of Trade Requirements Increased

Entry into the European Union or U.S. markets, as well as into regional and other trade agreements, requires private sector firms and other exporters to be aware of entry requirements and other trade-specific standards or mandates, such as food safety standards. This RF 2.1 element focuses on USAID-project efforts to ensure that producer/exporters are aware of these requirements and have the detailed knowledge and skills to comply with them, some of which they face in the form of market entry requirements in countries from which they receive orders. The participation of producer/exporters and importers in USAID trainings is the most frequently reported result at this level, as Table 43 shows. It is also at the RF 2.1.1 level that product and industry standards have been developed in some countries.



USAID assistance helped the Senegalese fish processing industry participate in international trade shows. Source: USAID.

Table 43. TCB RESULTS FRAMEWORK LEVEL 2.1.2

(n = 54)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 54 Projects that Reported RF 2.1.2 Results |
|--|---|---|
| Training, study tours completed | 32 | 60% |
| Guidelines/materials disseminated | 16 | 30% |
| Certification systems, pilots, standards developed | 4 | 7% |
| Diagnostic and other studies completed | 3 | 6% |

- In El Salvador, after training, test scores on labeling, pesticide certification and regulation increased from 45 percent correct to 67 percent correct. Obtaining post-training knowledge scores was worthwhile, but the USAID project team also reported that it was not necessarily easy: pre- and post-training surveys were conducted for training activities during the base contract period. The goal of the surveys was to gauge the knowledge obtained through each training event based on the number of correct answers before and after the training. However, because many participants were not present for both surveys, or elected not to participate, the surveys did not always accurately show a change. For the extension, PROSAIA required participants to include their names on the surveys, and only participants who attended the entire course were included in the results.
- In Africa, a USAID project brought together private- and public-sector individuals from seven COMESA countries, including producers, exporters, association representatives, Ministry of Agriculture representatives, and freight forwarders; as well as U.S. private sector participants, including buyers and producers of horticultural products knowledgeable of U.S. horticultural markets. The workshop provided a forum for discussion of what is needed to access U.S. markets from both a technical (SPS, ISO) and marketing perspectives. Analytical tools to help determine which products from which countries might be economically viable were provided and utilized. The result was that potential products were identified for each participating country. This selection was confirmed by country visits, and U.S. market assessments.

Among projects that provided training in this sub-cluster, 13 included training on sanitary and phytosanitary (SPS) standards. In addition to the USAID funded USDA to provide SPS trainings overseas in support of USAID TCB programming, particularly in Africa.

In addition to trainings and studies produced by mission-funded projects, a number of globally-funded projects administered by the USAID/EGAT office also made contributions at the RF 2.1.1 level, as well as at the RF 2.1.2 level, discussed below. These contributions became evident as the evaluation team examined globally funded projects and found globally-funded trainings and reports discussed in mission-level reports on projects.

RF 2.1.3 Results: Basic Business Practices of Firms/Industries Improved

The evaluation found many examples of how including a basic business practices component in export-oriented projects—or, inversely, inclusion of some export-oriented firms in projects with a productivity focus—has improved the capacity of firms and farmer groups to trade. Table 44 shows the frequency with which specific improvements were cited.

Table 44. **TCB RESULTS FRAMEWORK LEVEL 2.1.3**
(n = 130)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 130 Projects that Reported RF 2.1.3 Results |
|--|---|--|
| Improved technology or technical processes | 72 | 55% |
| Improved production or productivity | 37 | 28% |
| Management improved (general) | 34 | 26% |
| More competitive, cost-effective production | 30 | 23% |
| Financial management /business plans improved | 26 | 20% |
| New products developed; hectares planted | 20 | 15% |
| Inputs improved/certified, e.g., seed, English | 16 | 12% |
| Capital invested in businesses | 8 | 6% |

For those USAID TCB projects with an export orientation, some examples are provided below that demonstrate the importance of improvements in basic business practices—particularly those which increase productivity, improve quality, or lower costs.

- In Rwanda, the “value added” of ADAR has been its impact on changing attitudes and raising awareness. Small farmers are learning the value of planning ahead, and some are opening bank accounts for the first time in their lives. Investors have learned that the most valuable “technical assistance” does not necessarily include financing. Small landowners are realizing that they can increase their output by pooling their energy into producer associations and cooperatives, and business owners are likewise discovering that working together allows everyone to come out ahead.
- In the Dominican Republic, export cluster members’ production during the last three years has increased from 1,890 to 3,055 metric tons. Cluster members are implementing new post-harvest techniques such as hot water treatment to control anthracnose in organic production and fruit fly infestation.
- In Pakistan, PDDC has facilitated the installation of 1,000 farm cooling tanks. Farm cooling tank must be understood as an “enabling program”. By this we mean that it is significantly improving the quantity of quality raw material, and it allows processors to generate more value added.
- In Colombia, USAID-funded Business Strengthening and Business Plan Development training was an intensive one-on-one (consultant to business) consultancy that was given during the last three years of the program (FY05-FY07) and benefited 328 artisans in 10 departments. The most significant positive change that artisans underwent through the CAEI program is that 16% have begun to maintain an inventory of raw materials, with a full 67% of business owners reporting having seen improvements in this area.

RF 2.1.1.1 Results: Services from Local Export Promotion/Investment Attraction Business Support Organizations Improved

In the field, USAID TCB projects provided technical assistance, training, and analytic services to producers/exporters in a variety of ways, including through components of long-term projects as well as through complementary trainings and studies often funded through global arrangements as discussed further below. In a notable number of instances, USAID made an effort to provide knowledge- and skill-building assistance to producer/exporters in the developing countries. These efforts ranged from activities aimed at strengthening the capacity of trade associations and other non-governmental organizations to (in far fewer cases) providing support to government entities. (In some countries USAID projects provided support to government tourism organizations, or, in a few cases, helped to establish government investment-promotion

entities). The team found fewer instances of projects supporting government export-promotion agencies, but mission-level documents suggest that in some countries financial support was provided to those types of entities, even if project technical assistance was not.⁴¹ Results under RF 2.1.1.1 include both trade-support services provided by USAID-funded projects, as well as efforts to institutionalize the capacity to provide trade- and business-support services in the countries targeted by USAID TCB assistance.

The provision of business services to producer/exporters is a component of many USAID TCB projects. Of the 256 projects examined in this evaluation, 156 (61 percent) cited the provision of business services as one of its objectives, and, of those, 130 reported results in this area. An analysis of the range of business development services provided shows a concentration on technology and productivity improvements, as shown in Table 45. In addition to examining the types of business services provided, the team also examined the kinds of organizations through which business development services were provided, as shown below in Table 46.

Table 45. TCB RESULTS FRAMEWORK LEVEL 2.1.1.1

(n = 62)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 62 Projects that Reported RF 2.1.1.1 Results |
|---|---|---|
| Organization formed/strengthened | 45 | 73% |
| Services provided to producers (farms, firms) | 45 | 73% |
| Small projects funded | 7 | 11% |

Table 46. TCB RESULTS FRAMEWORK LEVEL 2.1.1.1

(n = 62)

| Types of Organizations USAID Assisted/Entities that Provided Assistance to Producers (firms, farms) | Frequency with which Types were Cited | Percentage of 62 Projects that Reported Each Type in 2.1.1.1 Results |
|--|--|---|
| Local business support organization (BSO) | 26 | 42% |
| Implementing partner provided funds/services | 18 | 29% |
| Industry/Interest group/Trade association | 15 | 24% |
| Government agency | 6 | 10% |
| Smallholder groups/Producer organizations | 5 | 8% |

Examples below describe results at the 2.1.1.1 level delivered directly by USAID projects, as well as the results of efforts to build local capacity to provide such services.

⁴¹ In this Report, efforts to strengthen trade-related government agencies are described under RF 2.1.1.1, with two exceptions: first, results from government entities that provide direct support with exporting/importing are described here under RF 2.1.1.1 where those services have a direct impact on private sector practices. The second exception involves results of efforts to strengthen government customs entities, which are discussed under RF 2.3.2, as a function of the direct impact that improvements in such entities have on the RF 2.3 cluster result: more efficient/cost-effective movement of traded goods across borders.

Service Results Reported by Projects that Provided Service Directly

- In Western Africa, USAID's trade hub project invested in a website that serves the region. After a trial period, the project *redesigned, reorganized, and greatly expanded the project website (www.watradehub.com, to serve as a resource for a variety of clients. Interactive features included the find-an-exporter tool, an export-readiness questionnaire, and the ability to register online for the Hub's contact database. All Hub guides and technical reports are downloadable, as is Opening Doors to New Markets, the Hub's export-promotion film. Website design includes new banners and layouts of Accra home page and the "umbrella" page, featuring a slide show and routing visitors to Accra or Dakar Hubs. Average monthly website hits increased from 15,000 to more than 100,000 from 2003 to 2007. The number of unique visitors also rose steadily, from an average of 520 per month in 2003 to 2,400+ per month during 2007. This trade hub website was still active in April 2010.*
- In Central Asia, USAID's EDP project *maintained a large and geographically widespread presence in all five Central Asian republics: Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan, thus ensuring that EDP was able to serve high numbers of beneficiaries both in centers and in the outlying geographic regions. EDP took a holistic approach to firm level SME assistance and offered clients a range of services designed to help multiple facets of business operations, including general enterprise improvement; regional trade promotion; accounting reform, and association development. The project also provided services to SMEs through its Quality Management Center.*

Service Capacity Development in Local Trade and Business Support Entities

- In Croatia, USAID's TRADE project partner CM-Expert became certified in ISO 9001:2000 with the help of a grant from TRADE. Then, CM-Expert began offering this new knowledge on the local market, leading to a number of lucrative contracts with small and medium enterprises in Croatia totaling \$100,000. This anecdote, the project report noted, is an example of the project's internal logic being successful—building capacity in a BSO, which in turn builds capacity in other businesses.
- In Eastern Europe, Citizens Network worked, under a regionally funded project called TRADE, with consulting firms in Bulgaria, Romania, and Croatia to develop a network of consulting firms that could provide support to SMEs engaged in trade. Project results reporting shows that the TRADE Network was expanded to include a total of 26 Partners over the course of Phase 1. Despite the many challenges and constraints the project faced, TRADE was successful in its goal of developing a sustainable and responsive regional network of consulting companies. TRADE Network members expanded their staff by an average of 44% and saw their client base grow by 16% and revenues by 14%. The number of SMEs served by TRADE Network members grew by 51% from 583 to 882 companies.

In some projects USAID worked with many individual service providers:

- Kenya's business development services component scaled up efforts to develop a total of 95 grafting and pruning service providers. Of the 95 trained, 93% (88 service providers) are currently operating successfully as independent business-people in the private sector.

Efforts to institutionalize the capacity to deliver services locally were not always successful, however:

- In Macedonia, where a USAID funded competitiveness project worked with several industry clusters, the project envisioned having local business service providers provide most of the business support cluster members required. In practice, however, an evaluation of this project found that: the proportion of local BSPs participating in delivering services to the clusters within MCA versus the involvement of foreign consultants did not support the aim to develop the capacity of BSPs to support the private sector. Regarding the quality of services provided by BSPs, the survey suggests the need for further capacity development. MCA made efforts to establish a Self Regulatory Organization for BSP; however, the developed approach was not successful. Business associations could have benefited more if MCA had identified an effective approach on how to work with and how to strengthen the capacity of the existing associations.

The examples above not only describe services provided during USAID projects, they also suggest what the prospects for sustainability may be after USAID funding ended. However, the actual sustainability of USAID TCB project services and benefits cannot truly be determined until after USAID programs have ended.

Strengthening Public Sector Trade Support Organizations

While government export promotion agencies (EPAs) have often been viewed as relatively ineffective (particularly in developing countries), a recent study by Lederman et al. (2006) indicates that export promotion agencies, which have tripled in number over the past two decades, are using new and highly effective approaches—so much so that this study estimated a return of \$40 for every additional dollar invested by an average EPA.⁴² Some of these new government export-promotion agencies have been created with USAID TCB assistance. USAID TCB funds have also helped establish government investment attraction agencies, as indicated by project documents and other sources:

- The Export Promotion Agency of Afghanistan—which receives support from both USAID and the German bilateral development assistance agency, GTZ—earned a global award from the World Conference of Trade Promotion Organizations for its *tangible contributions to expanding exports despite the country's widespread problems after decades of conflict*, the International Trade Center reported in a press release. *The Export Promotion Agency has helped to cut red tape for exporters, such as helping them secure export permits quickly – a process that took over a week and 27 signatures now takes only a day and a few steps. They have also lobbied successfully to waive a 2% export tax, and convinced officials to stop collecting illegal export fees. Currently the agency is working with 600 companies, and aims to service 5000 companies by 2015. They have facilitated over \$12 million in contracts for Afghan's exporters of fine hand-woven carpets as well as dried and fresh fruits, targeting trade fairs in China, Germany and the United States. "It means the world, literally, to be recognized after years of war," said Suleman Fatimie, Chief Executive Officer of the Export Promotion Agency of Afghanistan. "This is a big step forward for Afghanistan and a big honor." "It has been very exciting to work with these businesses," he noted. "The award should be dedicated to our exporters – they deserve it more than us."*
- As a result of technical assistance from USAID's project, *the Ministry of Tourism is playing a front line role in attracting rural tourism to Morocco. It (a) greatly expanded the availability of information in print and on line about rural tourism in Morocco; (b) hosted visits for tour operators; and (c) helped local businesses prepare for tourists. An end-of-project survey of visitors to Morocco indicated awareness of rural tourism which had earlier not been an element of the Morocco tourism image.*
- In El Salvador, *once EXPORTA, the Salvadoran Export Promotion Agency, was created, USAID EXPRO provided technical and financial support to some of its export advisors in order for them to learn and/or improve their knowledge of international trade fairs. EXPORTA staff members attended USAID EXPRO organized events such as: BIOFACH Fair in Frankfurt, Germany, FMI Fair in Chicago, AGRITRADE Fair in Guatemala, EXPOCOMER in Panama. Additionally, USAID EXPRO financially supported EXPORTA in organizing and leading market research missions to foreign markets in Europe and South America with potential Salvadoran exporters.*

As the examples above indicate, in those situations where USAID has actively supported government export-promotion agencies results have been encouraging. In countries where USAID supports export promotion only through standalone projects the needs of government export promotion agencies may be neglected as one project example suggests:

- In Serbia, USAID's SEDP project was actively involved in exporting and worked in parallel, and sometimes collaboratively, with the national export agency, SIEPA. A USAID/EGAT trade assessment that examined this project in 2005 concluded that, while support for USAID's independent project should be continued, USAID should do more to *support SIEPA in its efforts to promote exports. Public/private partnership in Serbia is relatively undeveloped. Organizations working on export promotion, such as SIEPA, should be supported... This support need not necessarily involve additional funding from USAID, but the Mission should encourage SIEPA...*

⁴² Lederman, Daniel, Marcelo Olarrenga and Lucy Patton. Export Promotion Agencies: What Works and What Doesn't. World Bank Policy Research Working Paper 4044., 2006, available at: http://econ.worldbank.org/external/default/main?pagePK=64165259&piPK=64165421&theSitePK=469382&menuPK=64216926&entityID=000016406_20070323095724

RF 2.1.1.2 Results: Firm/Industry ICT Capacity/Use Improved

As Table 47 indicates, efforts to improve ICT capacity most frequently focused on local business support organizations that work with producers/exporters. In some cases, these entities were service components of industry associations.

Table 47. **TCB RESULTS FRAMEWORK LEVEL 2.1.1.2**

(n = 52)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 52 Projects that Reported RF 2.1.1.2 Results |
|---|--|--|
| Website or portal created | 20 | 38% |
| Business automation, e-mail, e-commerce | 14 | 27% |
| Access market information from online sources | 10 | 19% |

Illustrative examples of some of these ICT improvement examples are provided below.

- In Indonesia, *USAID AMARTA* project helped the *Specialty Coffee Association of Indonesia (SCAI)* launch its website at www.sca-indo.org. In addition to educating people about Indonesian coffee, the website links buyers and sellers. In the past five months, the site has received 5,100 unique visitors and 90,000 hits, compiling more than 50 inquiries from companies interested in buying or selling Indonesian coffee and processing equipment.
- In the Ukraine, the first weeks after its launch, the website, developed with USAID assistance, only had about 10 visitors per day. Now, it has become the number one food and agricultural information source in Ukraine. Today www.lol.org.ua is well-known to all fruit and vegetable agribusinesses in Ukraine. About 1,000 to 1,200 companies utilize its frequently updated exclusive information on a daily basis generating about 23,000 visits and 170,000 hits per month.

Both of these project assisted websites were still active in April 2010.

SECTION IV. PROJECT RESULTS FOR THE RF 2.2 CLUSTER

This section focuses on the RF 2.2 cluster: *trade-related public sector practices improved*. This cluster includes trade policy reforms undertaken unilaterally, accession to the WTO, bilateral trade agreements, and involvement in regional trade agreements (RTAs) that may require participating countries to liberalize aspects of their trade regimes for the benefit of all members. In this RF cluster, policy reform is not treated as an end in itself; such results instead appear in the middle of the RF cluster's cause-and-effect hierarchy of results, shown in Figure 47. Trade policy reforms and trade agreements (captured by RF 2.2.1 and RF 2.2.2, respectively) put countries on a path towards improved trade-related practices, but it is the implementation of laws and regulations, updated systems, new procedures and forms, and trainings at RF 2.2.a that transforms those policies into improved practices and makes changes in public sector practices visible to the public. Supporting this array of results are the efforts at the bottom of the diagram to strengthen government agencies involved in trade (RF 2.2.1.1.), raise public awareness and support for trade reforms and ensure that the private sector has a voice in decisions which affect their firms and industries (RF 2.2.1.2).



USAID is working with Peruvian entrepreneurs to foster trade under bilateral trade agreement. CADE 2010 business conference. Photo: ANDINA/Alberto Orbegozo

There are several outcome measures among USAID's standard indicators which capture improvements of the type envisioned by the RF 2.3 cluster, including the *trade policy index*, which is drawn by USAID from the Heritage Foundation's Trade Freedom Index, the annual publication that scores countries based on their trade-weighted average tariff rate and their status with respect to non-tariff barriers (NTBs). It is important to stress the importance of this indicator: a study by Baier and Bergstrand (2001) found that a 1 percent decrease in tariffs yields a 4.5 percent increase in bilateral trade flows, and more recent studies have shown that trade liberalization has raised the average trade to GDP ratio by 5.5 percentage points (Warciarg and Welch 2008).

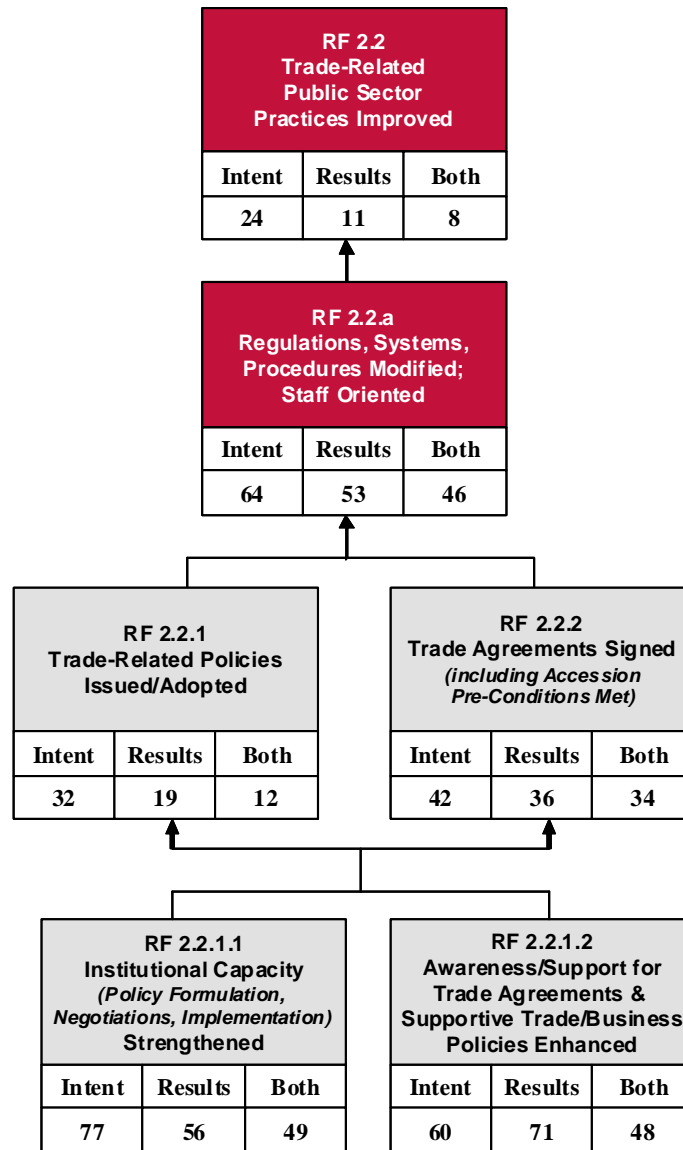
Some USAID standard indicators also focus on policy implementation results that transform decisions about tariffs and non-tariff barrier into practices and other outcomes visible to the business community. These include the number of legal, regulatory, or institutional actions (not mentioned above) taken to improve implementation or compliance with international trade and investment agreements, due to USAID support and also the number of investment measures made consistent with international investment agreements as a result of USAID assistance.

Results for each level of this RF cluster are presented in this section. Among the 256 projects the evaluation team examined, it found 135 (53 percent) that indicted and intention to produce results in the RF 2.2 cluster or presented information about results in this cluster.

RF 2.2 Trade Related Public Sector Practices Improved

Twenty-four projects included statements indicating their intent to produce results at the RF 2.2 level. Of these, 11 reported results at this level. Figure 47 indicates the frequency with which various types of results were reported as improvements in public sector trade practices.

FIGURE 47. RF 2.2 RESULTS CLUSTER: TRADE-RELATED PUBLIC SECTOR PRACTICES IMPROVED



There are various measures of protectionism and tariff reductions that serve as important indicators of government changes affecting trade performance. Relative to other types of discernable improvements in government practices at this level, only a few projects reported working on tariff schedules on a post-accession basis. More often, as the next section shows, USAID projects reported behind-the-scenes involvement in actions which ultimately led to such visible or final changes in practice. Nevertheless, some examples were reported of direct USAID involvement in the roll out of tariff reductions or actions that reduced non-tariff barriers:

Table 48. **TCB RESULTS FRAMEWORK LEVEL 2.2**

(n = 11)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 11 Projects that Reported RF 2.2 Results |
|--|--|--|
| Tariffs revised/Reduced | 5 | 45% |
| Non-Tariff barriers to trade reduced | 1 | 9% |
| More efficient/transparent trade-related processes to enhance private sector trade (excluding customs) | 6 | 55% |

Tariff Changes

- In Egypt, *following recommendations from the International Monetary Fund, as well as critical analytical work done by the Customs Reform Unit with the assistance of USAID consultants, the Egyptian tariff code was revised, reducing the number of tariff bands from 27 to six and lowering the weighted average tariff from 14.6 percent to 9 percent. In addition, tariff surcharges ranging from one to three percent were eliminated. Of particular note, the tariff reform eliminated the significant specific tariffs on garments and replaced them with ad valorem rates that are within Egypt's bound rates from the Uruguay Round.*
- In Macedonia, *as part of the WTO compliance activities, the project assisted the Macedonian Customs Administration and the Ministry of Finance in preparing the customs tariffs for years 2004, 2005 and 2006. This fulfilled its obligation for gradual reduction of tariffs, over a transitional period. For most goods, one-time tariff reductions were made on the date of Macedonia's accession. However, for a significant number of tariff lines, Macedonia still had to implement gradual tariff reductions and arrive at the final bound rates over agreed transitional periods. Such arrangements encompassed preparation of different customs tariffs, i.e. tariffs with different customs rates for the aforementioned products, every year, until the final implementation of the reductions.*

Government Efficiency

- In Bolivia, *as the result of USAID assistance to government efforts to implement the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) (discussed below), a backlog of more than 9,000 intellectual property cases were resolved. A USAID-assisted pilot project contributed to significant progress: 75 percent of the backlog of 1,400 patent processes was resolved, 97 percent of the 7,720 pending trademark registration processes were resolved, and 80 percent of the 2,500 pending objections were resolved. The project anticipates that the remaining case backlog and related institutional strengthening will be finalized in the coming months once SENAPI—with BTBC project support—has installed the computer systems, evaluation, and follow-up processes, as well as the legal-economic basis to ensure that it is self-sustaining.*

Procurement Transparency

- In Montenegro, *a team conducting an assessment of the USAID-funded CRDA project interviewed host nations to ascertain its impact. Dragoljub Pavicevic, a CDC member in Danilovgrad, among others, noted that all the bids from competing firms were opened and discussed in front of the CDC members. This transparent government procurement process was the first time such a system was used and CDC members felt that this resulted in less favoritism and more cost-effectiveness. Zoran Kapisoda, of the Local Tourist Organization of Cetinje, also cited the transparency of the procurement process when he was a member of a CAC and attended the opening of the bids.*

RF 2.2.a Regulations, Systems, Procedures Modified; Staff Oriented

RF 2.2 focuses on implementation, one of the three key elements of the conceptual framework outlined for USAID involvement in trade capacity building in the Agency's 2003 strategy paper, *Building Trade Capacity in the Developing World*. This is the level at which policy and trade agreement implementation, including changes in national laws, regulations, systems, procedures and forms are adjusted to comply with policy decisions. Across all sectors in which USAID works, policy implementation has occasionally proven to be a critical, yet

under-supported phase in the policy reform process.⁴³ In some countries to which USAID provides TCB assistance, the acknowledgment of this problem has led to the inclusion of a post-accession component in WTO accession assistance projects.

As Table 49 shows, USAID projects reports included more examples of these intermediate results of policy reforms and trade agreements than they did final results, of the type that are visible to the public, at the RF 2.2 level. Of the 135 projects in the RF 2.2 cluster, 52 (39 percent) reported results at this RF level.

Table 49. TCB RESULTS FRAMEWORK LEVEL 2.2.A
(n = 53)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 52 Projects that Reported RF 2.2.a.Results |
|--|---|---|
| Intermediate results required to implement trade agreements and/or country specific trade policy reforms | 27 | 52% |
| Product standards adopted, laboratories established to provide tests; certifications issued | 24 | 46% |

The range of results reported for RF 2.2 is broad, and thus the evidence for these kinds of results found in project documents are presented below in sections focusing on specific policy implementation outcomes.

Legal Framework for WTO Agreements

- In the Ukraine, USAID project assistance helped to create a legal and regulatory framework for complying with the WTO and improving the investment environment developed. Around 40 laws and other legal acts were adopted during this period of performance of which around 30 acts were adopted with the assistance of the Project including: 1.) Amendments to the law on foreign economic activity. 2.) Standardization and conformity-assessment related laws (3 laws amended). 3.) Customs valuation related laws (2 laws amended.) 4.) SPS related laws (3 new laws and 4 laws amended). This effort brought Ukraine's foreign trade regime largely into conformity with the WTO agreement.
- In Nicaragua, USAID's PROMESA project helped MAG-FOR (Ministry of Agriculture and Forestry) comply with the World Trade Organization, Codex Alimentaris, and free trade agreements; define regulatory procedures based on science-based risk assessments; and prevent short-term commercial and political considerations from interfering with environmental impact assessments.

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

- In Bolivia, USAID's BCTB project's contribution was gradual and ongoing. The first step was completed in October 2003 with three extensive studies: Intellectual Property in Bolivia (conceptual, legal, and institutional framework); Comparative Analysis: Treatment of Intellectual Property in Andean Countries; and Compilation: Intellectual Property Laws in Effect in Bolivia. In April 2004, a complete proposal was submitted for the reorganization and strengthening of the Servicio Nacional de Propiedad Intelectual (SENAPI), the official authority for intellectual property matters. That proposal is outlined in a strategic institutional reform plan ("Plan Estratégico de Reforma Institucional [PERI]"), which was presented to the Government of Bolivia for its consideration. The proposal became a critical tool for compliance with signed agreements as well as the development of national laws and regulations governing intellectual property. Executive

⁴³ USAID recognition of policy implementation as a separate stage in a policy reform process spawned a multi-year agency-wide project that focused on policy implementation as a distinct process and yielded a series of technical papers and USAID case examples in *Policy Implementation: What Has USAID Learned* (2001) available at : http://www.USAID.gov/our_work/democracy_and_governance/publications/ipcindex.html and http://www.USAID.gov/our_work/democracy_and_governance/publications/pdfs/pnach306.pdf, respectively

Decree 27938 was enacted on December 20, 2004, reorganizing SENAPI more efficiently and clearly establishing the relevant legal framework for intellectual property matters.

Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures

- *In Guyana, USAID's GTIS project collaborated with the Guyana Food and Drug Department (FDD), the Ministry of Agriculture, and the Guyana Bureau of Standards to establish a poultry diagnostics laboratory. Assistance included the procurement of over \$40,000 in equipment, reagents and other supplies and training for 9 persons in laboratory quality management ISO/EIC 17025. The training was needed to facilitate the international accreditation of the laboratory. The opening of the lab in May represents a milestone in the ability of the Ministry of Agriculture to conform to international sanitary and phytosanitary (SPS) and food safety standards. This new testing and disease surveillance capacity will help assure customers that poultry food products are safe and remove a crucial non-tariff barrier to Guyanese exports in the poultry sector, opening up opportunities for a large expansion in Guyana's agribusiness exports to CARICOM.*
- *The USAID-funded, USDA-implemented Animal Plant and Health Inspection Service (APHIS) was the first source of funding for the East Africa Phytosanitary Information Committee (EAPIC) which in its first two years evolved from a project focused on the relatively simple task of developing lists of plant pests and diseases of trade significance for four East African countries to a more complex project that aims to harmonize phytosanitary controls with those of the IPPC and to use this as a model for ACP countries as a whole. EAPIC has developed to a stage where additional partners have offered technical and/or financial support. This impact, from a small amount of USAID funding, was documented in a WTO best practices in SPS implementation paper as an example of trade capacity building assistance that was consistent with the intent of the Paris Agreement.*

Agreement on Government Procurement

- *In Egypt, a USAID-funded initiative implemented through the U.S. Department of Commerce's Commercial Law Development Program (CLDP) increased the transparency of the GOE's public procurement system and improved the capacity of the GOE and the Egyptian judiciary to administer bid protest cases. CLDP programs not only increased transparency in Egypt's public procurement system, it improved the capacity of the GOE and the Egyptian judiciary to administer bid protest cases in Egypt.*

Agreement on Agriculture

- *In Peru, USAID's project reviewed over 400 technical regulations, identifying 81 that affect trade for notification to the WTO and developing a reference portal for local businesses and traders. The project drafted special agricultural safeguard reforms and forestry and natural resource management regulations that were submitted to the U.S. Trade Representative's Office for review. Six of ten proposals in the agriculture sector were approved and enacted by legislative decrees between May and June 2008.*

Meeting Regional Standards

- *In Bosnia and Herzegovina, USAID's project assistance fostered a recent public-private partnership that resulted in the introduction of modern milk quality regulation. This will raise the level of milk quality in BiH sufficient to meet an EU requirement and will allow for the production of certain highly-valued cheeses. Leveraging other donor resources, LAMP has also provided assistance with food export licensing requirements.*

Environmental Standards

- *In Bulgaria, FLAG/UD also provided assistance to the ECO label Certification and Quality Assurance Programs for the Bulgarian Hospitality Industry through the development of a national Green Hotel Initiative Award website (www.greenhotel.net). As well as a national Quality Seal of Bulgarian Hotels websites.*
- *In Colombia, national pesticide registry procedures for minor crops are now addressed through the Technical Unit created at ICA April 29th, 2008 for this purpose. This Unit operates as a public/private alliance with participation of all interested stakeholders. MIDAS SPS experts contributed with basic research on main topics for discussion, and together with DNP assisted in the coordination of the work of the technical unit during 2007. A group of MIDAS international experts contributed initially to setting the guidelines for this unit's main functions and activities.*

RF 2.2.1 Trade-Related Policies Issued/Adopted

The adoption of new trade policies (under RF 2.2.1.1) and the admission of countries into new trade agreements (under RF 2.2.2) are intermediate steps in a policy change process: they are preceded by formulation and negotiations and are ultimately followed by implementation. The focus of RF 2.2.1 is the trade-related policy changes adopted outside of a trade agreement framework by a country. Table 50 indicates the prevalence of these types of results among the projects the evaluation team reviewed.

Table 50. TCB RESULTS FRAMEWORK LEVEL 2.2.1

(n = 19)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 20 Projects that Reported RF 2.2.1. Results |
|---|--|---|
| New trade-related policies/laws adopted | 15 | 75% |
| New trade-related policies/laws drafted (or support for their passage gained) | 6 | 30% |

Examples from these projects illustrate the kinds of results achieved under RF 2.2.1:

- In Montenegro, *USAID’s MCP worked with several government agencies to remove business barriers and improve the business climate. Examples included the removal of an export tax on herbs.*
- In Iraq, *a USAID funded project successfully advocated for the formation of the Iraq Investment Promotion Agency (IIPA) and the Trade Information Center (ITIC), including drafting a proposed Law to formally establish the IIPA as an independent agency. Establishing the Iraq Investment Promotion Agency to help Iraq attract foreign direct investments, and increase private sector employment.*
- In Mali, *USAID’s “Trade Mali” project provided technical assistance to various agencies of the GRM and worked with producer, trader, and exporter associations to increase trade opportunities and open new markets. The project’s assistance included policy assistance for targeted sub-sectors and general trade policy support. Key policy activities the project successfully worked on include: (a) Renewal of the tax holiday on imported vehicles for merchandise transport; (b) Revision of Inter-ministerial Decree 440 – outlining a basic set of norms and standards for exports (cahier de charges), (c) Application of the policy for improving the quality of mangos exported –new export regulations issued under Decree 440 large number exporters, pack-house workers, and producers, and (d) New regulation for the treatment of wooden packaging materials.”*

RF 2.2.2 Trade Agreements Signed (Including Accession Preconditions Met)

This section provides an overview of USAID assistance under this RF component, followed by several illustrative examples that emerged from U.S. project assistance to countries that were on the verge of entering into the WTO or regional trade agreements. Projects in this sub-cluster are almost always totally funded with TCB resources, as compared to other entries that are only partially TCB-funded. Among donors, the U.S ranks high on funding for this type of activity. WTO/OECD reports, including their periodic *Aid for Trade At A Glance* reports, show that roughly 53 percent of bilateral aid for the WTO/OECD obligation category *trade policy and regulations* comes from the United States, and USAID implements most of this work. USAID accounts for 89 percent of all obligations in the TCB database under the heading “WTO accession.” Across all bilateral donors, the U.S. accounted for 42 percent of donor funding in 2007 for the WTO’s somewhat broader version of this category of assistance, *trade policy and regulation*, as shown in Table 51.

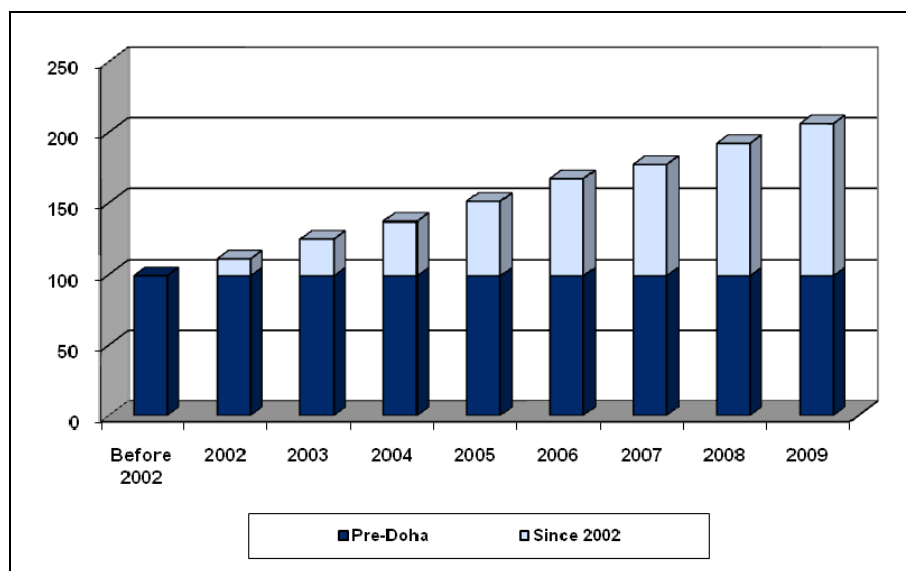
Table 51. U.S. SHARE OF FUNDING FOR TOTAL BILATERAL TCB ASSISTANCE AND THE U.S. SHARE OF THE TRADE POLICY AND REGULATION COMPONENT OF BILATERAL TCB.

| Type of Funds | 2002-2005 average | 2006 | 2007 |
|--|-------------------|------|------|
| U.S. share of total bilateral TCB assistance | 26% | 28% | 29% |
| U.S. share of the trade policy and regulations component | 53% | 50% | 42% |

Source: WTO/OECD, Aid for Trade at a Glance (2009)

USAID’s contribution to the WTO/OECD funding line for trade policy and regulations between 2002 and 2006 also provided support to regional trade agreement. As Figure 48 shows, in the years since the start of the Doha Round, the number of active regional trade agreements has doubled. Due to the emergence of new RTAs, as well as developing countries desire to be involved in them, USAID’s funding for work on RTAs (both directly and through mission-funded projects began to increase mid-decade and has continued as a segment of USAID funding for trade agreements falling under RF 2.2, as shown in Figure 49.

FIGURE 48. PRE-DOHA (1958-2001) AND NEW REGIONAL TRADE AGREEMENTS (RTA) NOTIFIED TO THE GATT/WTO AND IN FORCE



Data: WTO Secretariat

FIGURE 49. USAID TCB FUNDING FOR WTO RELATED ASSISTANCE AND REGIONAL TRADE AGREEMENTS

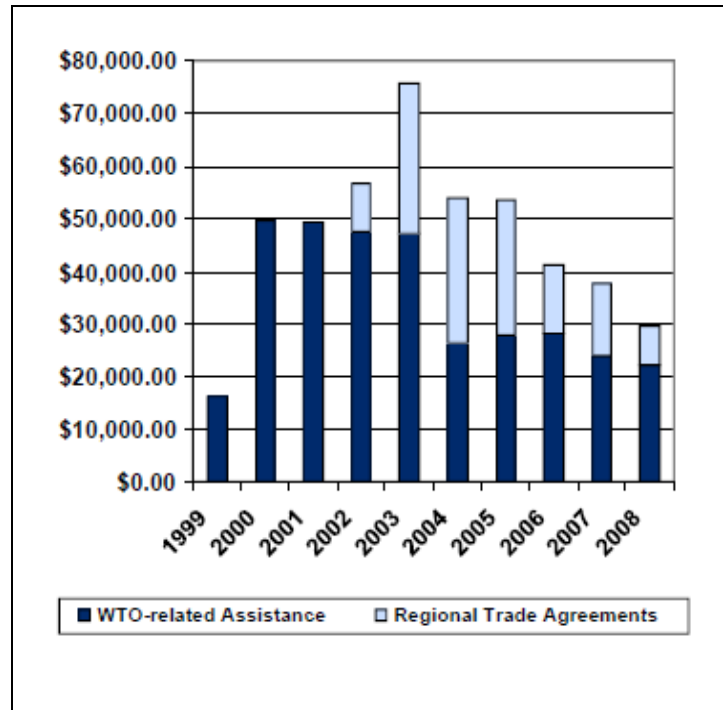


Table 52 shows the levels of USAID TCB assistance for recently acceded countries as well as those that are still in the process of accession. Against this backdrop, 36 (27 percent) of the 135 projects in the RF 2.2 cluster reported on trade agreement results at this level, as shown in Table 53.

Illustrative results at this level highlight the degree of USAID’s involvement in the steps leading to WTO accession.

- In Vietnam, the USAID/STAR project supported one of the most massive legal and economic reform efforts ever achieved by a developing country, building upon the solid programming foundation provided by USAID and the Vietnamese government. From 2002 through 2006, Vietnam, as both a developing and a transition economy, rewrote or developed anew almost every law and regulation affecting commercial activity and related judicial procedures. Critically, these reforms responded both to the domestic-driven need for developing a legal system to support a market-oriented economy with a growing private sector, and the international, treaty-driven requirements for BTA and WTO compliance. Our support facilitated reforms in 93 laws and regulations, of which 69 had been enacted by the close of the project. The remaining 24 were still being developed and are expected to be passed in the next year or two. By working at literally every stage of the legislative development process (changing the letter of the law), and with almost every institution responsible for implementing the reforms (enforcing the law in practice), USAID/STAR—in practice—became an integral part of Vietnam’s legal reform efforts. USAID/STAR helped most directly by explaining the relevance of BTA and WTO requirements and, more generally, by providing perspectives on international “best practice” regarding domestic-oriented legal reform.
- In Guyana, in May 2006, MOFTIC [Ministry of Foreign Trade and International Cooperation] urgently requested GTIS’ assistance to conduct a review to inform Guyana’s participation in a number of regional and international trade negotiations focusing on services, including the WTO General Agreement on Trade in Services (GATS); the CARIFORUM; the EU Partnership Agreement (EPA), and the CARICOM-Dominican Republic Free Trade Agreement, and identify priority areas where GTIS should focus its efforts over the next two and a half years. GTIS responded by mobilizing a team of consultants (including expatriate, regional and local staff) that compiled data on Guyana’s services sector (with sub-service sector profiles), conducted consultations with stakeholders across multiple service sectors, and carried out a basic competitiveness assessment of Guyana’s services sector

Table 52. USAID TCB SUPPORT FOR WTO ACCESSION AND POST-ACCESSION IMPLEMENTATION (2002-2006)

| Countries that Recently Acceded to the WTO | | |
|--|-------------------------|--|
| Country | Accession Year | Level of USAID TCB Assistance for WTO Accession (2002-2006 TCB funds) |
| Armenia | 2003 | 357,591 |
| Cape Verde | 2008 | 1,867,000 |
| Kyrgyz Republic | 1998 | 130,000 |
| Moldova | 2001 | 125,000 |
| Ukraine | 2008 | 3,163,754 |
| Viet Nam | 2007 | 2,139,750 |
| Cambodia | 2004 | * |
| Nepal | 2004 | * |
| Macedonia | 2003 | * |
| Croatia | 2000 | * |
| Georgia | 2000 | * |
| Jordan | 2000 | * |
| Countries with Active Applications to Accede to the WTO | | |
| Country | Application Year | Level of USAID TCB Assistance for WTO Accession (2002-2006 TCB funds) |
| Afghanistan | 2004 | 770,000 |
| Algeria | 1997 | 215,750 |
| Bosnia and Herzegovina | 1999 | 512,500 |
| Ethiopia | 2003 | 960,000 |
| Iraq | 2004 | 8,263,275 |
| Kazakhstan | 1996 | 308,890 |
| Lebanese Republic | 1999 | 520,000 |
| Russian Federation | 1993 | 797,050 |
| Serbia & Montenegro | 2004 | 460,300 |
| Tajikistan | 2001 | 839,280 |
| Uzbekistan | 1994 | 1,174,855 |
| Yemen | 2000 | 10,000 |
| Azerbaijan | 1997 | * |
| Lao People's Democratic Republic | 1997 | * |

* Funding data for WTO support were not recorded in TCB database for 2002–2006 period.

Table 53. TCB RESULTS FRAMEWORK LEVEL 2.2.2
(n = 36)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 36 Projects that Reported RF 2.2.2 Results |
|--|---|---|
| Support for WTO accession/agreements | 23 | 62% |
| Technical support for RTA agreements | 10 | 27% |
| Support for bilateral trade agreements, including FTAs | 4 | 11% |

Project-level reporting also shows that USAID project assistance on WTO accession and other trade negotiations and agreements is highly dependent on the pace of a country's reform efforts and cannot proceed when events intervene that alter country timetables.

- In Bosnia and Herzegovina, for example, USAID' FILE included a WTO component that was geared toward facilitating the WTO accession process by ensuring that administrative, political, and capacity-related barriers were promptly addressed in order to meet the 2004 accession goal. After talks were suspended, this project component was cancelled.
- In Cape Verde, the principle objective of the USAID Doha Project for the WTO Accession of Cape Verde was to facilitate the accession of Cape Verde to the WTO. The goal of the project was for Cape Verde to have completed the fact-finding stage and the market access negotiations prior to the December 2005 Hong Kong Ministerial Conference. Unfortunately, that did not happen. Meetings were held with Minister of Economy Lopes, the WTO Coordinator Josiane Ramos and the entire WTO Technical Team. The outcome of these meetings was an assignment from Minister Lopes to have a draft Memorandum of Foreign Trade Regime to him by March 31, 2003. This deadline was met, but unfortunately, last-minute glitches in market access negotiations precluded the nomination of Cape Verde as a WTO member at the December 2005 Hong Kong Ministerial Meeting.

Subsequently, and with substantial USAID assistance, Cape Verde acceded to the WTO in July 2009.

RF 2.2.1.1 Institutional Capacity Strengthened

Success at the highest levels of the RF 2.2 cluster hierarchy of results in Figure 47 depends heavily on the capacity of ministries of trade and related government agencies. Of the 135 projects for which RF 2.2 cluster results were identified in project documents, 56 (43 percent) described improvements in the capacity of government trade agencies, as Table 54 shows. Ministry operations were the focus of most of these improvements, with training playing a supporting role.

Table 54. TCB RESULTS FRAMEWORK LEVEL 2.2.1.1
(n = 56)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 59 Projects that Reported RF 2.2.1.1 Results |
|--|--|--|
| Support for improved ministry operations | 46 | 78% |
| Government personnel trained | 25 | 42% |

The following examples illustrate project results reported at this level:

- In Georgia, during its second phase, the RAPA project developed a systematic plan for overall restructuring of the Ministry which, with variations, the Ministry continues to discuss and has partially implemented. The Ministry of Agriculture has probably moved farther than any other ministry in identifying, translating and studying the relevant EU directives and regulations because of RAPA assistance. Although bringing everything into alignment with the complex body of European law is probably not possible in the short term, knowledge of European standards and laws is needed to do much of the other legal work identified as priorities by the Ministry and the project. A RAPA staff member has tracked these issues and works with Ministry units, the Georgian-European Policy and Legal Advice Center, and other interested parties on these issues. The project has also held a number of training courses and events on Codex Standards, WTO SPS requirements, international food safety standards and the HACCP system.
- In Egypt, through the USAID-funded U.S. Department of Commerce CLDP project, judges acquired critical knowledge of IPR enforcement and judicial mechanisms to enforce those rights in Egypt consistent with the WTO Agreement on Trade Related Intellectual Property Rights (TRIPS) and the Egyptian IPR Law. As a result of CLDP programs, GOE officials, judges, and the Egyptian private sector, all key trade policy players in Egypt, increased their knowledge and skills regarding their respective roles for implementing and enforcing WTO trade policies in Egypt. Newly graduated Egyptian commercial and diplomatic attaches who participated in seven major CLDP consultative programs in the U.S. better understand their trade policy roles. CLDP training has been credited with laying the foundation for the landmark Eli Lilly exclusive marketing rights decision.

- In Macedonia, *one of the biggest achievements of the USAID’s project was the creation of coordination mechanisms on WTO and streamlining of the government’s activities in this area. For this purpose, the Project prepared a Blueprint of the Required GoM structure for addressing WTO Compliance and Foreign Trade Issues. The coordinative Body of experts (CBE) was established and held its monthly meetings on a regular base. The members of the CBE are representatives of more than 20 state institutions. Also, working groups were established. The Coordinative Body of Ministers was also established and two meetings were held. This mechanism created a solid base for coordination of the trade policy of Macedonia which was missing before. The blueprint also deals with all government agencies involved in trade policy. Each agency was screened and a structure was proposed for dealing with the WTO. The blueprint proposed the job description for all experts in different state institutions dealing with the WTO.*

RF 2.2.1.2 Awareness/Support for Trade Agreements and Supportive Trade/Business Policies Enhanced

In addition to government capacity, public support for the adoption of new trade policies and entry into new trade agreement is also important. Public support is particularly critical for successful implementation, as demonstrated by the many difficult experiences observed worldwide such as the protests by indigenous peoples in Peru in the time since that country’s signing of an FTA with the U.S. in 2008.⁴⁴

USAID project reports indicated that public awareness and support for trade negotiations and other policy reforms, as well as the involvement of the business community in these processes, are a priority in most (53 percent) of the 135 projects in the RF 2.2 cluster. Of particular note at this level was the use of what USAID refers to as “public-private sector dialogues,” which it applies across a number of sectors. This approach or model for opening government procedures to private sector participation is also in use in USAID projects focused on health, education, and anticorruption. As shown in Table 55 below, results in terms of public-private sector dialogues were reported by 44 percent of the projects that described results at this level.

Table 55. TCB RESULTS FRAMEWORK LEVEL 2.2.1.2
(n = 71)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 71 Projects that Reported RF 1.1.Results |
|---|---|---|
| Public Awareness Increased | 43 | 61% |
| Public-Private Sector Dialogue Advanced | 31 | 44% |

Examples below indicate the types of results projects reviewed reported at the RF 2.2.1.2 level in the RF 2.2 cluster.

- In Panama, *USAID’s Implementing Partner, CARANA conducted a series of ten very successful, high profile events on the FTA and free trade-related issues in Panama City, Chitré, and David. These conferences reached a direct audience of over 2,000 key opinion-makers from Panama’s public and private sector, business sector leaders and active members of each of the primary business associations. Through live radio broadcasts, television interviews, and extensive press coverage for each of these events, the messages and dialogue reached hundreds of thousands of interested listeners in each of these cities.*
- In Macedonia, *developing Public-Private Partnerships was one of the key objectives of USAID’s project. This dialogue in the Republic of Macedonia was missing. The Project, envisaged that the dialogue will be held on the annual conferences for enhancing Macedonia’s exports. In this period, two such conferences were organized; participants were high-ranking government officials and general managers of the 50 largest exporters, as well as other businessmen. Both conferences were opened by the Prime-Minister and were chaired by the Minister of Economy. The conferences had sectoral and functional committees. Both conferences adopted recommendations. This approach to the dialogue has proven to be very useful, because*

⁴⁴ From the Public Citizen website: <http://www.citizen.org/documents/PeruFTA-OneYear.pdf>

for the first time it put highest government officials and the private sector together to discuss the trade policy measures. A large part of the recommendations from the 2005 conference were included in the Economic Program of the GoM for enhancing Macedonia's Exports, adopted in July 2005.

- *In Dominica, USAID's COTS project carried out a successful public awareness campaign on intellectual property rights (IPR) which began in Dominica in July. A survey was conducted before and after the campaign was initiated and the results demonstrate an increased awareness and knowledge about IPR and the important role it plays in doing business, specifically with regards to the application of copyrights, trademarks and patents. Other key results included a significant increase in the number of inquiries received by the Legal Affairs Department in reference to IPR.*

SECTION V. PROJECT RESULTS FOR THE RF 2.3 CLUSTER

This RF cluster reflects the importance assigned in trade capacity building literature to increasing the efficiency with which goods are transported from their point of origin to their destination, and, in a more limited sense, the efficiency of the movement of goods through customs. Reducing the cost of exporting/importing can also have important impact on trade. One study found that “a 4.8 percent increase in the volume of exports (and a 4.7 percent increase for imports) could be realized from a 10 percent reduction in exporting/importing costs” (Hoeckman and Nicita, 2008). More recent studies indicate that improvements in this RF cluster help developing countries to not only increase their volume of exports but also to diversify their range of exports (Shepherd 2009). In addition, the International Chamber of Commerce has long maintained that customs improvements have a direct impact on levels of foreign direct investment.⁴⁵

Achieving the intended RF 2.3 result of improvements in the time and cost of moving goods across borders entails not only better processing of goods by governments, but also improvements in infrastructure and more cost-effective private sector trade facilitation services. This RF cluster is thus a hybrid, with components drawn both from RF 2.1 (the private sector) and RF 2.2 (the public sector) while the focus of those components is on the RF 2.3 result. The cause-and-effect diagram for this RF cluster is shown in Figure 50.

As Figure 50 shows, three intermediate results are envisioned as contributing to the achievement of the top, or main, RF 2.3 result, *more efficient, cost-effective, movement of traded goods across borders*. RF 2.3.1 focuses on private sector improvements in trade logistics (including shipment trackability) and trade finance, while RF 2.3.2 concentrates on the modernization and efficiency of public-sector customs procedures. RF 2.3.3 focuses on infrastructure improvements, which may involve a mix of public and private sector funding. These results are in turn supported by activities aimed at improving the knowledge and skills of individuals working in these fields and providing them with the ITC resources needed to do their work more efficiently.

There are several outcome measures among USAID’s standard indicators which capture improvements of the type envisioned for this RF cluster. The *trade policy index* is drawn by USAID from the Heritage Foundation’s Trade Freedom Index, an annual publication that scores countries based on their trade-weighted average tariff rate and their status with respect to non-tariff barriers (NTBs). Other USAID standard indicators at this level focus upon policy implementation results which facilitate these outcomes, such as the *number of legal, regulatory, or institutional actions (not mentioned above) taken to improve implementation or compliance with international trade and investment agreements, due to USAID support*.

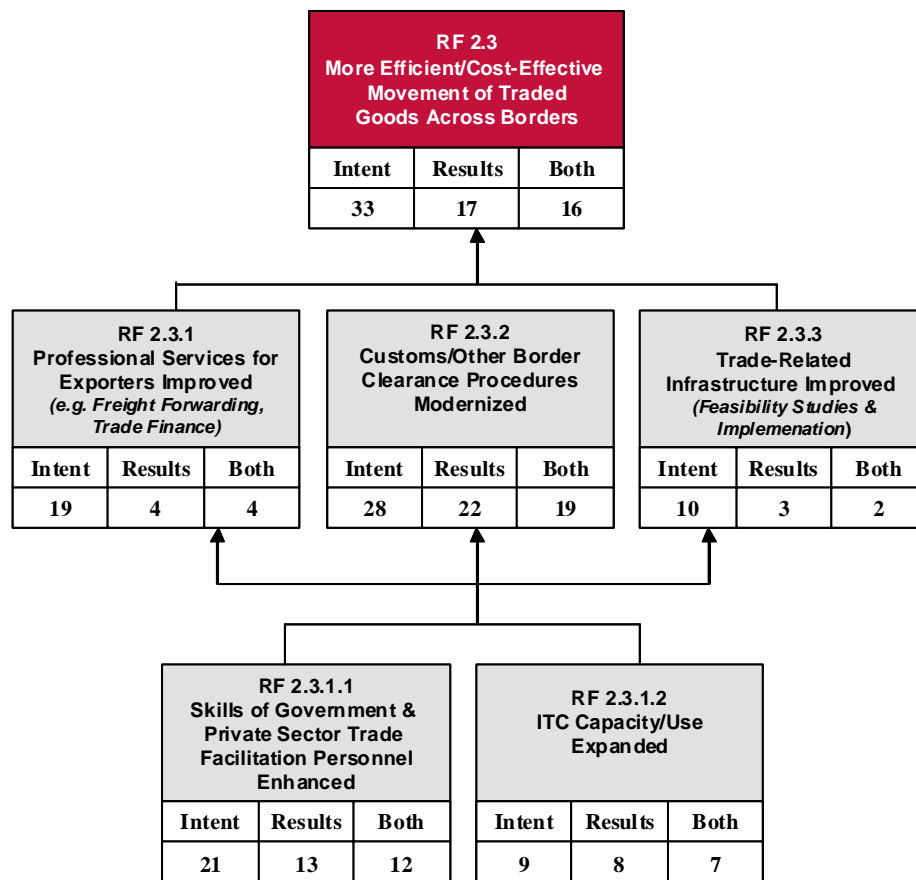
TRADING ON TIME ABSTRACT

We determine how time delays affect international trade, using newly collected World Bank data on the days it takes to move standard cargo from the factory gate to the ship in 126 countries. We estimate a modified gravity equation, controlling for endogeneity and remoteness. On average, each additional day that a product is delayed prior to being shipped reduces trade by at least 1 percent. Put differently, each day is equivalent to a country distancing itself from its trade partners by 85 km on average. Delays have an even greater impact on developing country exports and exports of time sensitive goods, such as perishable agricultural products. In particular, a day’s delay reduces a country’s relative exports of time-sensitive to time-insensitive agricultural goods by 7 percent.

Simeon Djankov, Caroline Freund
and Cong S. Pham (2006)

⁴⁵ From the International Chambers of Commerce website: <http://www.iccwbo.org/policy/trade/id416/index.html>

FIGURE 50. RF 2.3 CLUSTER: MORE EFFICIENT/COST-EFFECTIVE MOVEMENT OF TRADED GOODS ACROSS BORDERS



Sections below discuss evidence of results under the RF 2.3 cluster from two sources, namely project documents and the regression analysis. The results reported by USAID projects are presented first, as they speak directly to what has been achieved under each RF cluster element. The final section examines the evaluation’s regression analysis findings with respect to several national-level outcome variables for RF 2.3.

2. Project Results For The RF 2.3 Cluster

Results for each level of this RF cluster are presented in this section. Of the 256 projects the evaluation team examined in detail, MSI found 56 (22 percent) that indicated that they intended to or did produce results in the RF 2.3 cluster.

RF 2.3 More Efficient/Cost-Effective Movement of Traded Goods Across Borders

At the RF 2.3 level, MSI identified 33 projects included statements indicating their intent to produce results at this level, and 17 projects reported on actual results. Table 56 indicates the frequency with which various types of results were reported as improvements in public sector trade practices.

Results from USAID projects show that the savings in time and cost to export that were achieved with U.S. TCB funding include:

Table 56. **TCB RESULTS FRAMEWORK LEVEL 2.3**

(n = 17)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 17 Projects that Reported RF 2.3 Results |
|----------------------------------|--|--|
| Change in time to export/import | 11 | 65% |
| Change in cost to export/import | 7 | 41% |
| Change in customs corruption | 3 | 18% |
| Change in customs revenue | 3 | 18% |

- In Egypt, USAID assistance from 2002 to 2004 was instrumental in the creation of the Model Customs and Tax Centre (MCTC), which was established to help ensure efficient handling of large taxpayers in Egypt. Early results were very positive. The MCTC served as a “one-stop shop” for large taxpayers who opted to participate in the new system, allowing them to receive and file tax forms, make tax payments, and deal with auditors and examiners for all their tax matters (including customs payments) through one office. The MCTC was set up to enable joint audit of customs and taxes, with full current accounts for all taxpayers in the system, and to perform all the basic tax administration processes (e.g., taxpayer services, returns processing, accounting, audit, and document management). For MCTC importers, customs clearance was reduced to about a day compared to the seven days or more that was required for most other importers.
- In the Philippines, it was been estimated that the system facilitated by the USAID/EGAT project has reduced customs processing time by one to five days compared to the time required to clear imports that have pre-shipment inspection. In fact, the new system obviates the need for pre-shipment inspection and the GOP’s contract with Societe General de Surveillance was ended. This contract had cost approximately \$68 per transaction.
- In Georgia, the Government implemented reforms that reduced the time required for export from 54 to 13 days and import from 52 to 15 days. Streamlined procedures were adopted that trimmed one day off the time required for commercial trucks to cross the border. Further, the Customs Administration’s implementation of the Project’s recommendations for streamlining customs-clearing procedures is saving the private sector an estimated \$91 million USD annually. The project calculated the savings to traders at \$40 million [daily border crossing of commercial trucks (139,000) × World Bank’s estimate of daily operating cost of a commercial truck (\$288)].

The term “single window,” which is sometimes referred to as a “one-stop shop,” is used to describe an arrangement that allows traders to deliver customs documents either virtually or at a single physical location, which are then processed by as many government entities as needed and then returned to the trader at the same single window location. In some instances, automation plays a significant role in this process. While focused as much on taxes as on customs clearance, the project in Egypt described above is an example of this type of effort. In Southeast Asia, USAID is supporting the development of national single windows in all ASEAN to facilitate the movement of imports and exports across borders. Similar efforts were undertaken in Macedonia, Kenya, and Uganda, and in 2008 USAID examined the feasibility of this approach for Jordan. USAID’s COMPETE project on the Kenya-Ugandan border has already seen a reduction in clearance times from three days to three hours.⁴⁶ In some countries, USAID has played a leading role in these efforts, but elsewhere, it has



First trade license issued by the One Stop Shop USAID helped establish in Moldova.
Source: USAID

⁴⁶ More information on this project can be found at: <http://www.competeafrica.org/components/reducingbarriers.htm>

participated in a multi-donor effort, as was the case in Jamaica where USAID’s focus was on automating the government’s single window.

As USAID documentation on this effort shows,

- *USAID’s e-payments project illustrates how ICT support can contribute in making customs administrations measurably more efficient and cost-effective. It reduced the time for processing duty payments from 2–3 days to 1–2 hours. The project facilitated over 4,000 customs transactions per week. The duty payments rose to 1 billion Jamaican dollars (JMD) for 2004, which was almost three times the JMD 366.4 million received for the previous fiscal period. The project also resulted in reduced corruption and improved customs procedures for the Jamaican economy as a whole.*

RF 2.3.1 Professional Services for Exporters/Importers Improved

As indicated above, RF 2.3.1 focuses on improvements in private sector trade facilitation services. This segment of the Results Framework includes a range of activities on which cross-country information has been scarce until recently. The World Bank’s introduction of its Logistics Performance Index (LPI) serves a dual purpose in this regard: using a standardized process, it is beginning to collect data on private-sector trade facilitation services across countries and is drawing attention to the implications of weak trade facilitation services beyond just those directly related to clearing customs. To this end, four of the six elements of the LPI focus on services provided by private-sector sources. These LPI measures are:

- Ease of arranging competitively priced shipments;
- Ability to track and trace shipments;
- Competence and quality of logistics services (e.g., transport operators, customs brokers);
- Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

In addition to results of this sort, RF 2.3.1 is the component of this cluster in which improvements in trade finance would most naturally be reported. In a number of speeches given since the onset of the recent world-wide recession, the President of the World Bank has personally spotlighted trade finance as a critical trade facilitation priority for developing countries.

Among the 56 projects with an RF 2.3 focus, documents for 19 indicated their intent to achieve results consistent with RF 2.3.1. Of these, however, only two provided information on results they had actually achieved, as Table 57 shows.

Table 57. TCB RESULTS FRAMEWORK LEVEL 2.3.1
(n = 2)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 2 Projects that Reported RF 2.3.1 Results | Additional Projects Identified |
|--|---|--|---------------------------------------|
| Tracing of shipments improved | 2 | 100% | |
| Access to trade finance improved | | | [7] |
| Logistical support/facilitation improved | | | [3] |

Given the importance that recent empirical studies assign to improvements in trade facilitation, MSI went beyond the set of projects for which it had found documents to determine whether the two cases on which it had information for RF 2.3.1 fully represented USAID’s work in this area. An online search was used to search for additional examples. This search identified 10 additional USAID projects with results consistent with this RF cluster. Although they were not part of the set of 256 the evaluation team systematically

examined, information on these projects and their results are included in this section. Illustrative results identified in three areas where private-sector providers contribute to trade facilitation are described below.

Tracing of Shipments Improved

The WTO Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures requires that signatory countries follow the standards, guidelines, and recommendations on product safety issued by the U.N. Codex Alimentarius Commission. The Commission requires the use of the Hazard Analysis and Critical Control Point (HACCP) process control system for ensuring food safety, and complying with this process involves documenting the status and exposure to hazards of many food products destined for export. Developing countries that improve the traceability of their food product exports make it easier for buyers in countries with strict food safety regulations and monitoring to import their products.

The evaluation found two USAID projects for which documentation addressed improvements in traceability. In both of these projects, improving traceability was a small activity—so small that its results were often hard to notice in reports that covered a wide array of other interventions and their results.

- In Ghana, *USAID's TIPCEE project* facilitated implementation of a barcode pallet tracking and tracing system to monitor produce shipments from Ghanaian ports to destination points.
- In Central America, *as a result of work done during the life of the CSPA, Rainforest Alliance launched an online Marketplace on April 27th, 2007. The Marketplace is an online tool that provides real-time traceability and reports for all purchases and shipments of Rainforest Alliance Certified TM coffee worldwide. Exporters report each shipment of Rainforest Alliance Certified TM coffee, providing details of the farm origin, the quantity shipped, the country and port of destination, and the company that purchased the coffee. When this information is entered into Marketplace, the online system automatically generates a transaction certificate for that shipment.*

Access to Trade Finance Improved

The WTO has consistently viewed the support of trade finance as a valid use of donor trade capacity building funds. In 2007, the WTO staff highlighted this aspect of trade capacity building, saying that “trade finance is the lifeline of trade” and, as such, may require increased attention—particularly in turbulent economic times.⁴⁷ Since the start of the 2009 recession, both the President of the World Bank and the WTO Chief have called attention to trade finance as a pressing need in developing countries, particularly for small-scale exporters.

In its search for RF 2.1.3 results, the evaluation team did not initially locate all of the trade finance activities USAID has funded, some of which were carried out under sub-contracts. Serendipity, rather than a routine scan of the TCB database, accounts for the team’s ability to report on results in this area. To the best of the evaluation team’s knowledge, USAID’s most systematic trade finance interventions in recent years have largely been implemented on a sub-contract basis under larger trade capacity building projects by a single organization. A 2010 internet search for “USAID trade finance” led to the firm’s website and prompted the evaluation team to double back into its 256 projects and the TCB database. Three projects identified below were all found in the contractor report delivered to USAID/Macedonia.

- In Macedonia, *USAID financed SME Fund loans (US \$9.2 million) extended from July 2003 to March 31, 2007 that financed imports from foreign suppliers and exports to foreign buyers.*
- In Moldova, *USAID's project collaborated with three banks to introduce purchase order financing to the market. Already, two banks have made POF loans with non-fixed asset collateral totaling over \$675,000 and creating over \$2.1 million in sales.*

⁴⁷ Auboin, Marc. “Boosting Trade Finance with the Developing Countries : What Link with the WTO?” WTO Staff Working Paper ERSD-2007-04 available at: http://www.wto.org/english/res_e/reser_e/ersd200704_e.pdf

- In Azerbaijan, USAID has facilitated over \$4.5 million in POF loans that have been issued by PSCEP partner banks to Azeri SMEs, supporting more than \$32 million in sales and exports and creating 139 new jobs, including 54 jobs for women.

The trade finance approach that this sub-contractor, Crimson Capital, implemented in several countries involves the use of purchase orders through existing institutions and appears to be replicable across countries. The evaluation team did not, however, find evidence of the adoption of this approach beyond the projects in which this particular USAID partner was involved.

In addition to these field projects, the evaluation team noted that USAID's TCB Finance Alliance for Sustainable Trade (FAST) project which is administered globally by USAID/EGAT, as well as USAID's TCB COMPETE program, also provided trade finance assistance to USAID Missions on a short-term basis.

Logistical Support/Facilitation Improved

Reviewing the relationship between LPI ratings and trade performance in 2010, the United Nations Economic Commission for Africa reported that their analysis of the World Bank's two editions of logistics performance index released in 2007 and 2010 respectively,⁴⁸ indicates that, controlling for the level of development, better logistics performance is strongly associated with trade expansion, export diversification, and economic growth. In general, analysis of the 2010 LPI suggests that investments and reforms towards addressing the logistics bottlenecks are yielding expected results.

As with trade finance and shipment traceability, the examples of USAID results linked to trade logistics are difficult to identify, and as such activities are often relatively small components of larger trade capacity building projects. They were easier to find via internet searches than by reviewing reports on projects with a large number of small components or project reports that emphasized other types of results, and there is no TCB database code that automatically filters for projects focused on trade logistics.

Illustrative examples of results in this area include:

- In Afghanistan, USAID's RAMP project, which focuses on agricultural markets, including exports, reported that export gains from the sale of fruits and nuts in regional markets rose from US\$2.9 million in 2003/4 to US\$9.5 million in 2005, identified the country's lack of refrigerated storage as a logistical impediment to trade. To address this gap the project built 59 refrigerated storage facilities to store fresh fruit, vegetables, dairy products, and livestock vaccines, and in doing so laid the foundation for a refrigerated storage network, or "cold chain," to reduce spoilage rates of fresh produce and expand produce exports, including exports to the U.A.E.
- When Tanzania won a bronze medal at the Amsterdam International Horticultural Fair in 2007, but lacked the air freight capacity needed to export to new customers it had established, USAID and FINTRAC worked jointly, night and day, to get air freight operators into Kilimanjaro. They then embarked on a project called TAP which is designed to establish as sustainable, commercially viable airfreight solution that will allow Tanzanian producers to respond to market

EXPANDING TRADE FINANCE AS A RECESSION CRISIS RESPONSE.

Scaling up trade finance through the IFC, the World Bank's private sector arm, has been another key element of our response to the crisis...Over 80% of the trade finance [the World Bank provides through the IFC] supports SMEs. For example, as a small bank in a small market, Malawi-based NSB Bank was at a disadvantage in providing trade finance for SMEs. The IFC...made a \$7 million trade line available to the NSB Bank and enabled it to access a network of international banks. In its first transaction with the program, NSB Bank financed a small company importing fertilizer.

Robert B. Zoellick
World Bank Group President
African Union Summit
February 2010

⁴⁸ World Bank Logistics Performance Index webpage:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTTRANSPORT/EXTTTLF/0,,contentMDK:21514122~menuPK:3875957~pagePK:210058~piPK:210062~theSitePK:515434,00.html>

demand through Kilimanjaro International Airport. Within a fairly short time after its inaugural flight in 2008, this new airfreight capacity transported over 400 tons of Tanzanian flowers, vegetables and fruits to Europe.

- *Working one step back from the action, USAID/EGAT's global project, Trade Enhancement for the Services Sector (TESS), has provided initial support for country level efforts to address logistics as a trade facilitation issue through studies carried out in Paraguay, Bulgaria, Mali, Indonesia and Nicaragua. The impact of studies, regardless of their focus, is invariably hard to trace, though their contribution to knowledge as a dimension of capacity is reasonably direct.*

Other recent studies outside of the TESS project were also found, including a study focused on refrigerated transport for meat in Mongolia and logistics reviews in both Georgia and Jordan. Also, in addition to TESS, the evaluation team noted that USAID's TCB Bridge Task Order administered by USAID/EGAT provided assistance on trade logistics to USAID missions on a short-term basis.

It is interesting to note that, for many of these projects, trade logistics activities had not necessarily been preplanned. In two projects highlighted above, activities focusing on trade logistics were undertaken in response to the need to address problems which threatened the achievement of export goals, regardless of whether these sorts of logistical "fixes" had been envisioned when the projects that supported them were designed.

As private sector undertakings, entities that focus on RF 2.3.1 results must be or become commercially viable before the USAID projects that support them terminate. Where these kinds of trade facilitation functions are institutionalized in already commercially viable organization such as banks, the chances of their being sustained may be better for newly created trade facilitation service firms. When USAID projects deliver these kinds of services, but do not attempt to institutionalize them locally, questions about the sustainability of services and need for transfer mechanisms may arise, even among local stakeholders, as an independent assessment of one USAID contractor project that delivered services directly indicates:

- *Notwithstanding TIPCEE's involvement in the development of the private sector, government officials at MOFA as well as MOFEP believe that the project should be more forthcoming by providing more information and better coordination on project activities, and those relevant government officials should have greater involvement in the planning and design of future projects. Furthermore, other donors who are not working directly with TIPCEE also expressed their desire to have greater access to technical information generated by the project. Some of those interviewed suggested that the project's experience working on the front lines with the private sector should be shared more fully, to better inform everyone of the right kind of supportive role the public sector should be playing.*

RF 2.3.2 Customs/Other Border Clearance Procedures Modernized

There are numerous steps involved in moving goods across borders, some of which are part of the customs clearance process. In the report *Trading on Time*, cited above, the customs clearance requirements faced by developing country exporters in Burundi are compared those faced by Danish exporters in Denmark and found to be much more cumbersome. In Denmark, *an exporter needs three documents (exports declaration form, bill of landing and a commercial invoice) and two signatures (one by a customs official and one at the port) to complete all requirements for shipping cargo abroad. It takes on average 5 days from the time he starts preparing documents to the time the cargo is ready to sail. In contrast, it takes 11 documents, 17 visits to various offices, 29 signatures and 67 days on average for an exporter in Burundi to have his goods moved from the factory to the ship.*⁴⁹ As of 2008, the time required to export from developing countries, according to the World Bank's *Trading Across Borders* database ranged from 89 days in Kazakhstan to 39 days in Rwanda, 17 days in Jordan, and 10 days in Georgia, as compared to six days in the United States.

RF 2.3.1 focuses on the steps in this process that involve customs. Among the 56 USAID projects with a clear RF 2.3 focus, 28 indicated an intention to achieve results at this level and 22 (39 percent) reported the actual results they had achieved. Most of these projects (73 percent) reported that customs processing had

⁴⁹ Djankov, op. cit.

been improved as a result of their activities, as shown in Table 58. A few others focused on specific changes, e.g., the number of documents involved, adequate staffing, and fast track procedures for qualified firms.

Across the 16 projects that reported improvements in customs processing, what constituted or caused an improvement varied widely. In each case, however, the intervention appeared to be directly related to steps in the type of process diagrammed above that kept costs high or the customs clearance process lengthy.

Table 58. TCB RESULTS FRAMEWORK LEVEL 2.3.2
(n =22)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 22 Projects that Reported RF 2.3.2 Results |
|----------------------------------|--|--|
| Customs Processing Improved | 16 | 73% |
| Number of Documents Reduced | 4 | 18% |
| Numbers of Inspectors/Staff | 4 | 18% |
| Firms Given "Fast Track" Status | 1 | less than 1% |
| Tariff Schedules Prepared | 1 | less than 1% |

- In Egypt, USAID commented on a mission-funded project that ran from 2002-2006 saying that the achievements in the customs area can best be summarized by the World Bank Doing Business Report 2005, which ranked Egypt as the "most prominent country in customs reform." As noted in the World Bank Report, Egypt had established a single window for trade documents and merged 26 approvals into 5. Tariff bands had been reduced from 27 to 6, and average weighted tariff rates had been cut from 14.6 to 9.1 percent.
- In Jordan, a USAID project that assisted the customs administration reported: Introduction of ASYCUDA and other EDI-based systems complete and all Customs Department operations become paperless environments. Achieved in 2003.
- In Armenia, something as simple as weighing scales improved customs processing one USAID project reported: In November 2004, following a request to USAID from the SCC, the Project funded the purchase and installation of a total of eighteen 1-ton scales in the Customs facilities at Shirak Airport in Gyumri (3 scales); at the Georgian border entry points of Bavra (2 scales), Gogavan (2 scales), and Bagratashen (4 scales); at the Iranian border entry point of Meghri (4 scales); and at Zvartnots Airport in Yerevan (3 scales).
- In Southern Africa, USAID's Trade Hub project played an instrumental role in introducing the Single Administrative Document (SAD 500) which reduced more than a dozen customs forms to a single customs form now in use along the Trans-Kalahari Corridor that cuts across Namibia, Botswana, and South Africa, significantly reducing the cost of moving goods along regional frontiers. With Trade Hub technical assistance, the SAD 500 is being rolled out to the major corridors throughout the region, starting with the Maputo Corridor that runs through South Africa and Mozambique.
- In Kazakhstan, a new Customs Code became effective April 2003. Additional amendments to the Code proposed by USAID's TFI project were approved in June 2005, including certification of imported goods after customs clearance, streamlined warehousing procedures, and new measures for conducting post-entry control audits by customs. The changes also create a new classification of "low-risk" traders who are not subject to cargo inspections at the time of import or export. Since the amendments were introduced nearly 600 traders have received the classification.



A new computer system helps customs officials at Jordan's Port of Aqaba.
Source: USAID

Through regional projects, USAID has, in several instances, integrated work on customs administration with other efforts aimed at improving the efficiency of transportation corridors:

- Since 2001, USAID has provided technical assistance and training in support of efforts in Namibia, Botswana and South Africa to develop the Trans-Kalahari transportation corridor (TKC), which integrates border management, customs control, traffic regulations and transportation policies in three countries and fosters efficient and reliable cargo delivery.

More recently, in West Africa, USAID has worked the efficiency of border crossings including those between Togo and Ghana and between Lagos and Abidjan in West Africa, as well as along transportation corridors in East Africa. Similarly, the World Bank has engaged in efforts develop “clusters” of trade facilitation providers along transportation corridors in several pilot transportation corridors efforts it supports.⁵⁰

RF 2.3.3 Trade-Related Infrastructure Improved

USAID total TCB investments in infrastructure have always been modest. USAID’s 2003 trade capacity building strategy noted in this regard that USAID had limited funds for major infrastructure projects.⁵¹ Nevertheless, they are greater than the total investments USAID has made in either RF 2.3.1 or RF 2.3.2. Since 2005, when MCC began funding trade capacity building activities with an infrastructure focus, USAID’s share of U.S. TCB dedicated to infrastructure has declined significantly.

For purposes of this evaluation, USAID infrastructure funding that was not directly trade related was excluded. That is to say, funding for rural roads was treated as being indirect, while projects involving port improvements were treated as being direct and were examined. In the end, the evaluation only found documents for three projects that involved infrastructure with a trade focus. The emphasis in these three is shown in Table 59.

Table 59. TCB RESULTS FRAMEWORK LEVEL 2.3.3
(n = 3)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 3 Projects that Reported RF 2.3.3 Results |
|--|--|---|
| Port efficiency increased | 1 | 33% |
| Ports/other trade infrastructure constructed | 1 | 33% |
| Transport incentives introduced | 1 | 33% |

Of these three projects, the one most closely fitting the model suggested by the literature as leading to decreases in the time and cost of exporting was in Jordan. The other two projects also yielded useful results:

⁵⁰ Poul Hansen and Liliana Annovazzi- Jakob. “Facilitating Cross-Border Movement of Goods: A Sustainable Approach”, *Global Enabling Trade Report*, 2008. UNCTAD

⁵¹ While USAID invested in major infrastructure projects in its early years, the Agency’s legislative guidelines since the 1980s have discouraged these types of investments, at least on a unilateral basis. In the 1980s, Section 103.3.b was added to the Foreign Assistance Act. The intent of this section was to re-emphasize that USAID focus was on the poor in developing countries. To that end, subsection (1) encouraged credit services for the poor; labor-intensive enterprises; more equitable land tenure; and rural infrastructure and utilities such as farm-to-market roads, water management systems, land improvement, energy, and storage facilities. Simultaneously, in subsection (2), Section 103.3.b the legislation states that *where development of major infrastructure is necessary to achieve the objectives set forth in this section, assistance for that purpose should be furnished under this chapter in association with significant contributions from other countries working together in a multilateral framework. Infrastructure projects so assisted should be complemented by other measures to ensure that the benefits of the infrastructure reach the poor.*

one focused more on infrastructure to support inter-island trade in the Philippines, while the other, in Nepal, approached transportation infrastructure through policy tools.

- In Jordan, USAID assistance brought the efficiency and costs at the Aqaba port up to the level of regional and global standards. In 2004, the incoming and outgoing goods through the port increased by 3.2 million tons or 17.9 percent compared to 2003. In addition, the new Aqaba Container Terminal (ACT) was ranked among the top three of Lloyd’s ‘Best Container Terminal in the Middle East Awards’ in 2005. RF 2.3.1.1 Skills of Government & Private Sector Trade Facilitation Personnel Enhanced

Training, including study tours, is the primary activity at this level of the RF 2.3 Result Framework. Of the 256 projects the evaluation team examined, documents for 21 (2 percent) included stated objectives linked to RF 2.3.1.1. Actual results were reported by 13 projects, as shown in Table 60. As with many USAID projects, reporting on this result focused on the number of people trained rather than any evidence of knowledge or skill gains.

Table 60. TCB RESULTS FRAMEWORK LEVEL 2.3.1.1
(n = 13)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 13 Projects that Reported RF 2.3.1.1 Results |
|--|--|--|
| Customs staff trained | 13 | 100% |
| Customs staff study tour completed | 4 | 31% |
| Greater public awareness of customs rules/fees | 2 | 15% |

Generally, training for customs officials was a component of a larger project, and in some instances several different types of training were provided. A typical example is described below.

- In Egypt, *between June 2003 and 2006, USAID-funded study tours for customs officers emphasized the importance of risk management systems, performance monitoring, and modern customs management practices. USAID also provided computer and English-language training to mid-level management to upgrade their skills. Currently, the focus is on technical training in valuation, risk management, and post-audit. With the approval of the new organizational structure, around 50 middle and upper management customs officials have recently enrolled in an MBA program. Such training will help them better execute their responsibilities within the new organization.*

RF 2.3.1.2 ITC Capacity/Use Expanded

Eight projects, or 4 percent of the 256 the team reviewed, focused on improvements in ITC capacity and use through customs modernization and/or the expansion of trade facilitation services as Table 61 illustrates. Of these, six projects reported results.

Table 61. TCB RESULTS FRAMEWORK LEVEL 2.3.1.2
(n = 6)

| Narrative Description of Results | Frequency with which Result Was Reported | Percentage of 6 Projects that Reported RF 2.3.1.2 Results |
|--|--|---|
| E-mail, E-payment, Tracking System Created | 6 | 75% |

All of the ITC improvements described in these results focus on improved efficiency, either within customs administrations themselves or among exporters/importers through web-based efforts to inform them as to what they should do which provide opportunities for completing some steps in the export/import process electronically. The feasibility and local incentives for shifting to electronic processing, such as e-payments, need to be considered when these systems are developed; according to USAID/Jamaica, highlighted above, a technology-intensive [public sector] project can only be effective if existing [private sector] business processes, incentive structures and infrastructure are also changed.

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ANNEX A. EVALUATION STATEMENT OF WORK

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| ANALYTICAL, SUPPORT AND IMPLEMENTATION SERVICES |
| INDEFINITE QUANTITY CONTRACT |
| REQUEST FOR TASK ORDER PROPOSAL (RFTOP) |
| CROSS-COUNTRY CLUSTER EVALUATION OF TRADE |
| CAPACITY BUILDING PROGRAMS |

SECTION C – DESCRIPTION / SPECIFICATIONS/STATEMENT OF WORK

C.1 BACKGROUND

Trade and investment are the principal mechanisms through which global market forces generate growth in developing and developed countries. During the 1990s, developing countries that successfully integrated into the global economy enjoyed per capita income increases averaging five percent annually. However, countries that limited their participation in the global economy saw their economies decline. Many developing countries express concerns about their inability to take advantage of global trading opportunities. In response, the United States has committed to a partnership with developing countries to achieve economic development through integration into the global trading system. The United States provides Trade Capacity Building (TCB) assistance covering a range of programs with the common aim of furthering economic opportunities through global trade and investment. TCB is defined as assistance to help countries negotiate and implement trade agreements and build the physical, human, and institutional capacity to benefit from trade and investment opportunities. USAID's EGAT/EG oversees a United States government-wide survey of TCB assistance. The survey, initiated in 2001, captures seventeen categories of trade-related capacity building including: World Trade Organization (WTO) Awareness and Accession; WTO Agreements; Trade Facilitation, Customs Administration; E-commerce and IT; Export Promotion; Business Services and Training; Regional Trade Agreements; Human Resources and Labor Standards; Financial Sector Development and Good Governance; Physical and Economic Infrastructure; Environment Sector Trade and Standards; Competition and Foreign Investment; Trade-related Agricultural Development; Tourism Development, Other Services Development; and Governance and Interagency Coordination.

While TCB is not a discrete area with its own budget, as many as twenty-four U.S. agencies self-reported activities in over 100 countries beginning in fiscal year 2001. According to the survey, over the past five years funding for TCB assistance has steadily increased from \$599 million in 2001 to just under \$1.4 billion dollars in 2006. This assistance was distributed worldwide, although the focus differs somewhat from region to region. Through 2005, USAID reported providing about 66 percent of U.S. government TCB assistance funding. USAID, the Millennium Challenge Corporation, the Departments of Treasury, Agriculture, and State, and the U.S. Trade and Development Agency (USTDA), among other agencies, implement TCB programs.

C.2. STATEMENT OF NEED

At the WTO Ministerial conference in Hong Kong, China in December 2005, the United States pledged to double TCB assistance by 2010. The United States and USAID recognize the importance of delivering such TCB assistance effectively and efficiently. Although, TCB enjoys broad support within the Administration and Congress, it is not without its critics. In February 2005, the General Accountability Office (GAO) issued a report entitled: *U.S TCB Extensive, but Its Effectiveness Has Yet to Be Evaluated*.

The GAO reported that Agencies are not systematically monitoring or measuring the results of their TCB activities or evaluating their effectiveness in terms of building trade capacity. The Report noted that many agencies have not conducted program evaluations or formal assessments of program impacts of TCB efforts. Moreover, without a strategy for systematically monitoring and measuring results and evaluating the effectiveness of TCB efforts, the GAO asserted that the United States cannot ensure the reasonable use of resources for such assistance or credibly demonstrate its usefulness as a U.S. trade and development policy.⁵² Given the breadth and cross-sectoral nature of U.S. government TCB activities, it is neither cost-effective nor feasible to attempt to evaluate all TCB programs simultaneously. As a cost-effective alternative, the EGAT/EG office will begin a series of evaluations to systematically measure the effectiveness of selected programs with similar programmatic goals (clusters). The evaluation team should review both quantitative and qualitative program objectives within each cluster. For example, evaluators should examine improvements to efficiency, cost, timeliness, etc. of TCB programs as well more qualitative objectives such as improved governance through greater transparency, accountability, and adherence to the rule of law. (See, Attachment J.3)

C.3 OBJECTIVES

The objectives for undertaking these cluster evaluations will be to learn from past efforts in order to better design, implement, and manage future programs.

C.4 SCOPE OF WORK

The scope of this Task Order will encompass up to five evaluations on separate TCB topical clusters over the period of performance (date of award to September 27, 2010). In its first year, this series of TCB evaluations will begin with two priority clusters.

The first two evaluation clusters are:

- 1) Export promotion programs for selected agricultural and nonagricultural sectors, products or producers, including host country government export promotion agencies, business to business exchanges and trade shows.
- 2) Programs supporting Customs and Trade facilitation reforms, including reform of customs, import and export licensing, and other regulatory and administrative requirements governing trade.

These cross-country “cluster” evaluations on export promotion and trade facilitation programs will focus on variations in design, technical approaches, relations with partners and officials, management of implementers, and underlying economic, political, and other circumstances that contributed to or detracted from a program’s success.

The remaining three evaluation clusters will be selected after the completion of the first two evaluations. Findings from the initial two evaluation clusters are expected to help shape the topical focus of the remaining three evaluations. These topics may include TCB program focused on improving a government’s ability to participate in negotiations and to implement institutional commitments required in trade agreements. The final three evaluations may also examine governance issues in trade institutions such as transparency and private-sector consultation or implementation within legal/technical areas such as intellectual property rights, sanitary and phyto-sanitary requirements, or voluntary product standards. The final three evaluations may also focus on programs to improve economic responsiveness to trading opportunities (such as trade-related agricultural or physical infrastructure development). For each topic, the evaluation team should provide a concise overview of the implementation of U.S. government TCB programs. To evaluate cost-effectiveness, the team should conduct analysis of the underlying programmatic costs, results and impacts achieved; and, provide an opportunity to learn from past efforts to better design, implement, and manage future programs.

⁵² *Ibid*

(See, Attachment J.2). These evaluations will have a broad audience. Systematic and cost-effective evaluations of TCB will be a valuable resource to U.S. government implementers, U.S. Agencies, GAO, and Congress.

Program Theory and Design of the Evaluation

The theory supporting TCB assistance posits that international trade and investment contributes to economic growth by utilizing a country's comparative advantage; disseminating new technologies, allowing producers to exploit economies of scale; exposing producers to international competition, thereby stimulating innovation; and providing consumers access to a greater variety of goods and services at a lower cost. However, to realize these gains, countries must have the capacity to trade, attract investment, and to compete globally.

Developing country partners often face significant market failures and other barriers to participation in global markets. Both supply-side constraints and trade openness are frequently the objects of TCB interventions.

U.S. government assistance targets the removal of such barriers. These barriers cover a range of shortcomings such as a poor trading environment including weak governance, laws, and institutions; lack of capacity of firms to access and meet the requirements of global markets; and, lack of access to competitive infrastructure and other trade-related services. EGAT/EG chose two initial TCB interventions with differing program logics to evaluate. Although these interventions differ country-by-country and program-by-program, the overarching program logic for each follows.

I) Export Promotion Programs

The TCB survey defines Export Promotion activities as assistance to increase market opportunities for developing country producers. This includes assistance supporting government agencies, private sector associations, and individual firms. Between 2002 and 2005, USAID funded 93 percent of the \$284 million of U.S. government TCB assistance in Export Promotion. In 2005, USAID reported 153 export promotion activities. Larger programs (excluding conflict countries) are in Africa, Central America, and Eastern Europe. About a third of export promotion activities receive funding below \$100,000. A thorough cluster evaluation of export promotion programs should analyze the efficiency and sustainability of assistance activities and examine program complements that enable export promotion assistance to be more effective. Evaluators should consider the benefits versus costs of conducting trade promotion activities alongside efforts to implement systemic reforms to the enabling environment. Evaluators should review programs to determine the range of impact on exports that can be achieved relative to resources provided. Evaluators should consider whether programs produce a “demonstrative” or “spillover effect” to firms that did not receive direct assistance from USAID and whether exports successes can be sustained after the conclusion of assistance

Standard Logic Model for Export Promotion Programs:

Inputs:

Consulting and Training Staff

Funding for materials (e.g. marketing materials, commercial samples, etc.)

Funding for travel and study

Private sector partners

Public sector institutions

Outputs:

Firm or association-level training and assistance to meet product requirements, business standards, or buyer demands

Assistance marketing to international buyers

Support to government export promotion agencies
Support to government export financing agencies
Support to improve trade infrastructure aimed at increasing exports
Training programs for companies, individuals, government agencies, associations

Intermediate Outcomes:

Participation in international marketing events
Export “deals” with foreign buyers
Investment and financing to meet quantities and specifications of international business deals

Final Outcomes:

Increased exports of targeted products, from targeted sectors, and to targeted markets
Increased investment and firm/sector productivity in target sectors

Impacts:

Increased firm and sector profitability
Rising wages in target sectors
Employment growth
Rising incomes of owners and employees

2) Customs and Trade Facilitation Reforms

The TCB survey defines Trade Facilitation as assistance in lowering the costs of engaging in, or eliminating obstacles to international trade flows. The survey includes export promotion, e-commerce, regional trade agreements, and business services in this aggregate. For purposes of this evaluation, trade facilitation will be limited to assistance in lowering the costs of engaging in, or eliminating obstacles to international trade flows including assistance to help countries modernize and improve their customs offices. Between 2002 and 2005, USAID funded 85 percent of the \$90.2 million of U.S. government TCB assistance in customs operation and administration. In 2005, USAID reported 51 customs operation and administration activities to the TCB database. Over half of these are smaller programs of under \$100,000. Larger programs (excluding conflict countries) are in Africa, Central America, and Jordan. A thorough cluster evaluation of customs reform and trade facilitation programs should examine the range of interventions to determine the best technical approaches to make U.S. government assistance more effective in terms of improved cost, time, compliance for private sector firms. Evaluators should identify necessary conditions for assistance to yield results and consider the time frame necessary to realize program impacts.

Standard Logic Model for Customs and Trade Facilitation Improvement Programs:

Inputs:

Consulting and Training Staff
Funding for procurement of goods (e.g. hardware and software for customs information systems)
Private sector partners
Public sector institutions

Funding for travel and study

Outputs:

Training

Systems design

Software

Modernized Infrastructure and/or Hardware

Public-private dialogues and cooperative mechanisms to address border management issues.

Legislative and procedural reforms to customs authorities and other border

Agencies

Restructured customs authorities and other border agencies

Outcomes:

Regional and global harmonization of systems and procedures.

Modernization of systems, procedures and facilities

Increased transparency and reduced corruption clearance processes.

Reduced time and costs to trade; improved compliance with trade agreements;

Impacts:

Increased trade volumes and faster growth of trade (imports and exports).

Increased investment

Economic growth.

Evaluation Questions

USAID has developed six evaluation questions that apply to both cluster evaluations (i.e. export promotion and customs reform and trade facilitation). They are presented in order of priority.

- 1) To what extent have USAID programs of this type contributed in a measurable way to improved trade capacity in the target countries?
- 2) How can USAID integrate monitoring and evaluation into the design and implementation of TCB programs more systematically?
- 3) What combinations of activities or interventions were more successful and sustainable than others, and what were the primary synergies that contributed to that success?
- 4) Which activities have been more successful in achieving their objectives, and what were the primary factors for their relative success?
- 5) What impact has USAID TCB projects had on the firms, individuals, associations, sectors, economies and government agencies targeted by the interventions?
- 6) To what extent have the interventions funded by USAID since 2002 succeeded in accomplishing the program's objectives?

Evaluation Methodology

USAID has selected Cluster Evaluation Methodology as the overall approach for this evaluation. Cluster evaluation methodology has the following characteristics:⁵³

1. It looks across a group of projects to identify common threads and themes that, having cross-confirmation, take on greater significance;
2. It seeks not only to learn what happened with respect to a group of projects, but why those things happened;
3. It happens in a collaborative way that allows all players – projects, donors and external evaluators – to contribute to and participate in the process so that what is learned is of value to everyone; and
4. The relationship between individual implementers and the external evaluators conducting the cluster evaluation is confidential. This ensures an environment in which projects can be comfortable in sharing with the cluster evaluators the realities of the work they have undertaken, problems and frustrations as well as triumphs. It greatly increases the usefulness of evaluation findings.

Primary goals of cluster evaluations include:

Determining how well the collective cluster of projects has succeeded in achieving the funding objectives (objectives-oriented evaluation);

Translating individual project findings into broad recommendations about the program/area under which the cluster is funded (utilitarian evaluation);

Developing consensus among a group of practitioners and stakeholders about what works (participatory evaluation).

Cluster evaluation is sometimes described as a sub-category of multi-site evaluation. However, the objectives and methodologies employed are quite different.

| Multi-site Evaluation – Evaluation for Confirmation | Cluster Evaluation – Evaluation for Learning |
|--|---|
| Single program model, centrally designed, implemented at different sites | Multiple models, designed by different sites, according to local needs, resources, and constraints |
| Specifics of model known, pretested, fixed | Specifics unknown; “cutting edge” and evolving models |
| Limited number of narrowly defined goals that lead to dependent variables, common across sites | Multiple possible goals, broadly defined, somewhat site-specific; not all goals or benefits known in advance |
| Good framework for testing hypotheses, causal linkages, and making general conclusions. | Good framework for strengthening programs trying to operationalize a guiding philosophy or set of principles at the local level |
| Top-down project management and evaluation | Autonomous, locally driven project management; dual levels of evaluation |
| Assumes controls can be established to maintain reliability and validity; believes in value of “generic model” | Assumes some common goals, questions, experiences; believes that sharing information increases knowledge about “what” and “how”; values practical knowledge |

Cluster evaluation is used routinely by the World Bank⁵⁴ and other larger donor agencies, such as UNDP, but has not been widely used by USAID. One can argue that the 1994 study on *Export and Investment Promotion*

⁵³ Jody L. Fitzpatrick, et. al., *Program Evaluation, Alternative Approaches and Practical Guidelines*, p. 477

⁵⁴ See, *Assessing World Bank Support for Trade, 1987-2004*, and IEG Evaluation.

*Services*⁵⁵ is essentially a cluster evaluation although the authors referred to it as a “multiple case-study” approach. The authors’ data collection methodology consisted of utilizing desk reviews of previous evaluations, a cross-country survey of 300 exporters in 10 countries, and follow-up interviews with 90 export service providers.

This illustrates one of the beneficial features of cluster evaluation methodology, which is that the analysis takes place at two levels; at the level of the cluster to answer questions such as: “What has been the overall trade impact of export promotion programs?” and at the project level, to answer questions such as: “Does assistance to government export promotion agencies have as much of an impact as assistance to private firms and associations?”

Program Selection

For each of the five topics, the cluster evaluation must aim to provide findings, conclusions, and recommendations that are representative of USAID funded and/or implemented programs globally. To the extent feasible, the evaluation should explore data collection utilizing sampling and stratification methods to produce representative results. The TCB database will be utilized as a sampling frame and to make program selection

USAID has established the following criteria for the selection of project clusters:

1. The target projects will be distributed geographically to the extent practicable and in keeping with the other criteria;
2. Target projects will be similar in as many respects as possible, while allowing for variations that will help elucidate the research questions;
3. Target projects will have been completed within the last 2 years;
4. Target projects will include both successful and unsuccessful implementations;
5. Target projects will be characterized by a range of sizes and scopes;
6. Regional sub-clusters may be identified in order to compare similar projects in similar countries, but with different policy environments;
7. The total number of projects to be evaluated will be determined by the research questions, as well as by the overall budget for each cluster evaluation.

It is anticipated that this cluster evaluation will involve mixed methods of data collection including, but not limited to literature review, case studies, evaluation of comparative design, analysis of existing monitoring data, collection of new survey data, and structured interviews. To the extent possible, the final evaluation report will rely on quantitative approaches to estimate the value of results and analysis of cost.

To increase the potential for learning, EGAT/EG anticipates a high degree of staff involvement in the evaluation. To the extent possible, the evaluation should be conducted with the input and participation of mission staff and local implementers.

Supplemental USAID Guidance on Methodology

With this RFTOP for cluster evaluation of TCB programs, USAID is providing Offerors with supplemental guidance on the preferred evaluation methodology. (See, Attachment J.4). The supplemental guidance provides recommended indicators for different programmatic goals approaches to assist in assessing effectiveness. The implementers of the evaluation will need to further divided programs into sub-clusters for analytical purposes.

⁵⁵ CDIE, USAID, *Export and Investment Promotion Services*, March 1994.

Evaluation Team Composition

Offerors shall present proposals for teams with the requisite skill sets to undertake multi-country “cluster” evaluations. EGAT/EG anticipates an evaluation team of three to five members. The combined evaluation team should possess expertise in the following areas: evaluation methodology; survey design and data collection; performance measurement; statistical analysis; and, to a lesser extent economic analysis of trade and experience with international trade topics such as customs operations, transport logistics and international business development.

It is anticipated that the team will be comprised of varying levels of experience. Two team members will be designated as Key Personnel: the chief of party, serving as a senior evaluation expert, and an evaluation expert. Each member of the proposed Evaluation Team shall satisfy the applicable education and experience level as defined in Section B.5(a)(2) Labor Categories – Levels, of Qualifications of the IQC.

Schedule and Logistics

The evaluation plan and methodology will be developed in consultation with and approval by EGAT/EG. For each topic, the evaluation is anticipated to require eight to sixteen weeks after an evaluation plan is agreed. There is the potential to visit three countries to review in varying depth TCB activities within each of the five topical clusters. In planning logistics and the evaluation schedule, the evaluation team shall program the necessary time and resources required to fully coordinate field work with mission staff and obtain country clearances within the timeframe required by each embassy’s rules. Ample time should be programmed to complete a review of program materials and previously conducted evaluations prior to field work. Ample time should be programmed to thoroughly analyze findings and identify gaps in the analysis that will require additional field work.

Phase I: Preparation of work plans and evaluation methodology. Review of program literature and related previously conducted evaluations.

Phase II: Sampling and review of programs from TCB survey data base

Phase III: Data Collection and Field Visits

Phase IV: Review of data, analysis, initial drafting, and presentation of preliminary findings

Phase V: Report feedback and stakeholder consultation

Phase VI: Preparation and final presentation to management and key stakeholders

C. 5. IMPLEMENTATION AND MANAGEMENT PLAN

The Contractor shall provide contract management necessary to fulfill all the requirements of this task order. This includes cost and quality control under this contract.

C.6 PERFORMANCE MONITORING PLAN

The contractor’s performance shall be evaluated based on the completion of specific tasks as outlined in the Task Order, adherence to the work plan, and reports submitted to the Cognizant Technical Officer (CTO).

C.6.1 Performance Standards

This section defines the performance requirements to which the Contractor shall be held, establishes the performance levels or standards, and defines how performance standards and benchmarks will be reported to the CTO and CO. The following are the measurable performance standards that have been established for this contract. These performance standards are consistent with the objectives for the TCB Evaluation Project:

1) Technical competence: Performance shall be measured by the Contractor's effectiveness on the assignment. Effective technical competence will produce reports that contain illuminating findings and

conclusions that are actionable by USAID management. Ineffective technical competence is marked by superficial or theoretical findings, conclusion, and recommendations, which are irrelevant or cannot be implemented.

2) Ability to assemble or prepare effective expertise: Performance shall be measured in several different ways. For example, superior contractor recruitment ability goes beyond a simple review of candidate's resumes before submission to USAID. Some candidates might appear qualified on paper, but may lack effectiveness in action. Superior recruitment processes shall be based on references and first-hand contacts with the technical expert proposed. Similarly, in team building, superior contractor performance will be demonstrated by assembling teams that function smoothly in accomplishing the required task in performing TCB evaluations. Superior contractor performance shall take into consideration how each individual will contribute to create positive group chemistry when assembling teams. Inferior performance is marked by disruptive team relations, notwithstanding the sometimes stellar reputation of individual members on the team.

3) Contractor responsiveness: Performance shall be measured by the Contractor's ability to maintain open, direct, and responsive communications channels with EGAT/EG and USAID Missions in the field. Superior contractor performance is marked by a rapid, helpful response without undue delays. Inferior performance may result from a lack of adequate communication efforts with EGAT/EG and USAID Missions with TCB projects.

4) Client satisfaction with the finished product: Performance shall be measured in many ways. Superior contractor performance is distinguished by the high quality of the final deliverable. High quality deliverables should be clear, concise, accurate, well-structured, and easily comprehended.

5) Proficiency of the client: Performance shall be measured based on the increased ability of the client (EGAT/EG or USAID Mission) to understand and act on the technical subject matter subsequent to Contractor's provision of services.

ANNEX B. EVALUATION METHODS AND INSTRUMENTS

A mixed method approach was used to carry out this cross-country cluster evaluation to USAID Trade Capacity Building projects. A brief outline of these methods is provided in the evaluation report and repeated below. In this annex, instruments associated with these methods are provided as a review of which methods were used to answer each of the evaluation's six questions. Data limitations reported in the main volume are also shown in this annex. The methods used in the evaluation included:

I. EVALUATION METHODS USED

In summary, the methods used to conduct this evaluation included:

Document Research, Review, and Analysis. This method was used to gather information on the programs and projects supported by U.S. funding for TCB assistance through obligations between 2002 and 2006 that was reported to the TCB database. During Phase I of the evaluation, data from this database and from the websites of U.S. government agencies were analyzed, and activities listed in the TCB database were compiled into multiyear projects where appropriate. In Phase II, the evaluation team gathered and analyzed project documents for 256 USAID TCB projects. Quantitative data and narrative statements were extracted from project reports and analyzed. After project documents were examined, each project was scored on 30 factors (shown in Table 18 of this report) that characterized their design features, implementation experience, context variables, and performance. These scores were then analyzed with a chi-square test in SPSS to calculate statistical significance; the findings yielded by this approach are discussed in Part One, Section III, Question 3.

Scoring Project Success. A USAID performance scoring system was adapted and used in the evaluation to score project success. Using this method, the evaluation scored 231 of the 256 projects it examined, i.e. all those for which it had sufficient information to do so. The method is described in greater detail in Part One, Section III, for Question 3 and Annex B.

Regression Analysis. This method was used to determine the impact of U.S. government, and more specifically, USAID funding on trade performance at the national level within the developing countries that receive TCB resources. The regression results are included as Annex C, which describes in detail the models used. Findings from the regression analysis are discussed in Part One, Section III, Question 1 of this report.

High and Low Performers Analysis. This analysis, which is discussed in Part One, Section III, Question 1 involved examining data on policies and other trade-related factors in countries that realized strong and weak export gains between 2002 and 2008 while receiving varying levels of USAID TCB assistance, or none at all. The analysis was used to identify factors in countries' enabling environments that, in addition to their level of TCB assistance, distinguished strong and weak export performers during that period.

Group Interviews with USAID and Implementing Partner Stakeholders. During Phase III of the evaluation, MSI carried out stakeholder interviews with USAID and implementing partner representatives to "ground truth" the preliminary responses to evaluation questions that the team arrived upon through the use of the four methods described above. MSI held four in-person consultations, or group interviews, on its preliminary findings. Three of these sessions were for USAID implementing partners and were attended by representatives of 18 different firms and PVOs. A fourth session was held with USAID/Washington staff. A synopsis of these Washington events is included as Exhibit 1.

Stakeholder Survey for USAID Staff Overseas. An e-survey (included as Exhibit 2) was sent to USAID economic growth staff in fifty USAID missions that had reported obligations to the TCB database between 2002-2006. This e-survey, which included questions the evaluations Phase II findings, including the issues raised in the group interviews conducted in Washington, offered USAID staff overseas an opportunity to

review and comment on the Phase II version of the evaluation report. The response rate on this survey was 22%, which is generally considered to be about average for on-line survey research responses.

Among these methods, the one that involved the most fundamental choice about how to conduct a cross-country evaluation of the scope USAID envisioned, given limited resources, was the decision to use project documents rather than interviews as a primary source of data on USAID TCB project experience. USAID's RFP for this evaluation did not specify how the evaluation team should go about gathering sufficient data to characterize clusters of TCB projects using quantitative methods. Two approaches were considered: one involved gathering data on a large number of projects by interviewing people who were directly involved in their design and implementation; the other involved collecting equivalent information from project documents. An interview approach to gathering data on USAID TCB projects would have been heavily dependent on the ability of USAID officers and implementing partner staff to recall information about projects they had worked with a number of years earlier. It would have also involved a significant effort to locate those individuals, some of whom would have left the country in which a project of interest to the evaluation had been implemented, e.g., a USAID staff member who had been responsible for a project in Egypt in 2004 might now be in Mongolia or Peru. In contrast, project documents are prepared as a project is being undertaken and do not require recall. These contemporaneous performance reports are expected to meet USAID data quality requirements; and USAID periodically undertakes reviews to check on the quality of data it receives. Nevertheless, some skepticism about the objectivity of these reports exists. Weighing the issues associated with these two data collection options, and recognizing that it did not have the resources to vigorously pursue both options, the evaluation team, with USAID's agreement selected a document-based approach for collecting data on USAID TCB projects during Phase II of the evaluation.

Implementation of the document-based approach the team selected involved a lengthy effort to locate project documents. While USAID guidance and the terms of most contract and grants require that copies of project documents be sent to USAID's library, the Development Experience Clearinghouse (DEC), the team's searches of that database produced project descriptions and performance reports for only a fraction of the projects on which the evaluation team sought information. Even in cases where project documents had been sent to the DEC, they often proved difficult to locate, i.e., they could not necessarily be found through searches based on project titles, the names of implementing organizations, or names of the countries in which projects were implemented. The evaluation team eventually discovered that some USAID TCB project documents in the DEC could only be located if the individual doing a search knew the project contract or grant number. Even after this discovery, documents for a larger number of USAID TCB projects remained missing. Direct efforts were then made to contact implementing organizations and USAID missions to obtain documents for additional projects. This effort was successful with projects implemented by U.S. firms and PVOs. Projects implemented by these two types of organizations account for 80% of USAID TCB funding for directly traded-related projects over the study period. Efforts to locate project documents for USAID TCB projects implemented by local organizations overseas, other U.S. government agencies, and international organizations—which account for 20% of these funds—were less successful.

2. EVALUATION METHODS BY QUESTION

MSI used a “getting to answers” matrix to determine the range of data collection and analysis methods that it would use to conduct this evaluation. Methods used on a question-by-question basis are described below and summarized in the matrix provided in Table 1 at the end of this annex.

Evaluation Question 1: To what extent have USAID programs of this type contributed in a measurable way to improved trade capacity in the target countries?

- To answer this question, the evaluation team needed information on USAID TCB program results as well as evidence of TCB-related changes at the country level. It also needed information on any causal linkages between the two and any alternative possible causes of country-level TCB effects the evaluation

discovered. Four methods were used to produce the data needed to answer this question. In practice, evidence of results from USAID's TCB program implied project-level evidence of results that demonstrate changes in trade capacity. For this purpose, the evaluation team equated the presence of capacity, which is not readily measured, with the demonstration of capacity, i.e., performance. Project documents were located, and evidence of project results—in the form of exports, imports, investment and other trade and investment outcomes—were collected, organized, and analyzed using content-analysis techniques. It is worth noting, however, that trade performance is also inherently impacted by external factors such as commodity prices, the pace of economic growth, and foreign exchange—these factors are discussed throughout the report.

- To determine whether USAID investments, as well as broader U.S. government investments, in trade capacity building were linked to improvements in trade performance at the country level, a University of Pittsburgh team designed and carried out a regression analysis based upon the Results Framework developed by the MSI evaluation team that used existing time-series data to measure outcome variables for trade performance at the RF 1.1 (trade and investment performance) level. Data on these dependent variables were lagged by two years in the analysis to yield results on a more clearly causal basis than is otherwise possible. The regression analysis included controls for domestic economic and geographic factors as well as for TCB assistance from countries other than the United States. Data for TCB assistance from other sources were drawn from the joint WTO-OECD Doha Development Agenda Trade Capacity Building Database (TCBDB), to which data are reported from bilateral and multilateral agencies. The regression also examined the relationship between funding for subordinate Result Framework clusters using outcome indicators for results at those levels, i.e., RF 2.1 (new products exported, export concentration, business practices); RF 2.2 (tariff measures, the Heritage Foundation Trade Freedom index), and RF 2.3 (World Bank's Doing Business and Logistics Performance measures). GDP, population, landlocked status, Integrated Framework status, distance and a "demand for trade" factor developed by Gamberoni and Newfarmer (2008) with trade capacity building in mind, served as control variables (among others). Regression models were run based on alternative funding (independent) variables, including total U.S. government TCB funding; USAID total TCB funding, and subsets of USAID TCB funding for RF 2.1, RF 2.2 and RF 2.3, all for the 2002-2006 funding period. A more detailed description of the methodology used in this study is provided in the study report in Annex C.
- Alternative possible causes of trade performance (merchandise export earnings, with and without extractives and service exports) were examined by grouping countries into clusters on a 5x5 matrix (gradations of TCB funding—including none—against gradations in export gains over a five-year period) and using secondary sources to identify factors (plausible causes) in those country environments over the time period, i.e., asking, for each country and on an open-ended basis, what secondary sources claim caused exports to rise). Factors collected by this process were coded for all countries in key groups (high export gains/high USAID TCB; low export gains/high USAID TCB; high export gains/low USAID TCB; high export gains/no USAID TCB). Comparisons between groups of countries and the factors in addition to U.S. TCB funding found to be frequently present were then undertaken.
- A final effort to determine what linkages existed between USAID project-level exports and investment results and national level results involved identifying linkages between project-level results, i.e. increased exports or FDI, and national level performance in the same sector or product. This was done for a subset of USAID target countries; the evaluation team started with the group of countries showing high export gains combined with high levels of USAID TCB funding (as was discussed Part One, Section III, Question 1). First, it was determined which exports accounted for export gains in each country; specific exports that gained were then matched to export-result claims in USAID project documents, and then secondary sources were consulted to see if those referenced linkages between project level and national results for specific products and/or provide enough information to determine the relationship between the value/volume of exports associated with projects and the national levels of exports for those same products.

- Stakeholder input from group interviews and e-survey responses was sought on questions about the prevalence of agriculture in the USAID TCB portfolio as well as the presence of traditional tropical commodities. Their responses helped the evaluation team to understand USAID and implementing partner perspectives on agriculture versus manufacturing projects, particularly in light of USAID expectations for performance reporting.

Evaluation Question 2: How can USAID integrate monitoring and evaluation into the design and implementation of TCB programs more systematically?

This question focuses on recommendations the evaluation might make. To address this question, information was needed on current USAID TCB program monitoring and evaluation practices. To this end:

- The team reviewed mission-level Strategic Plans and Annual Reports available from USAID’s Development Experience Clearinghouse (DEC). This review process, however, was not highly structured, as the nature of the reporting in recent Mission Annual Reports turned out to be too general to permit the use of a systematic procedure of analysis.
- TCB project documents were examined systematically in relation to USAID ADS 203 performance-monitoring guidance, which requires clear statements of intended results; performance indicators that are appropriate for monitoring those results (valid, reliable, practical); performance targets; and baseline data which establish the initial conditions to which improvements will be compared as monitoring data are collected. Project results at every level of the Results Framework were extracted from project documents, and this comparison to ADS instructions were made at each RF level, resulting in a matrix documenting the frequency at each RF level with which statements of intent, indicators, targets and baselines were found.
- Pursuant to recommending improvements, the evaluation team used checklist scoring sheets to judge the quality of USAID TCB evaluations. These scoring sheets are used by MSI in an evaluation course it teaches for USAID personnel. They have also been used to characterize evaluation quality issues for USAID’s Office of Evaluation. USAID TCB evaluations were scored using one checklist that focuses on evaluation Statements of Work and another that focuses on evaluation reports. They are included as Table 2 and Table 3, respectively, at the end of this annex. Scores across a number of USAID TCB evaluations were aggregated to characterize current practice.
- Feedback from USAID stakeholders on the absence of performance targets and baseline data in a number of TCB projects helped to highlight the fact that the way in which USAID standardized indicators are worded, which is often highly focused on attribution to USAID, results in a baseline of zero when a new type of project is undertaken, e.g., number of firms assisted in exporting by USAID. This explained some of the instances in which no baseline data were found. The practice, it was noted in stakeholder consultations takes a project out of its context, i.e., information about how much exporting the firms did before USAID’s project began is not collected, thus no analysis of the gain over a past level or trend is possible.

Evaluation Question 3: What combinations of activities or interventions were more successful and sustainable than others, and what were the primary synergies that contributed to that success?

- The evaluation coded USAID TCB projects on 29 characteristics in four categories (inputs/independent variables, including design features; process/implementation variables; context variables and results/dependent variables). Coding on various independent variables (Result Framework cluster; sector; type of institutional beneficiary; foreign assistance delivery modalities) was used to create Venn Diagrams that displayed the frequency with which various project design elements were found in combination. The same approach was used to examine approaches found in projects (value chains, clusters).

- Success for combinations was examined using project success ratings (described under Question 4 below) Where combinations earned higher project success ratings than did projects that involved only one element (e.g., just manufacturing products) synergy was presumed to be present.

Synergy was also identified via narrative descriptions included in project documents which were then extracted in paragraph form and entered into a file with synergy reports from other projects. A content analysis was conducted on entries in that file.

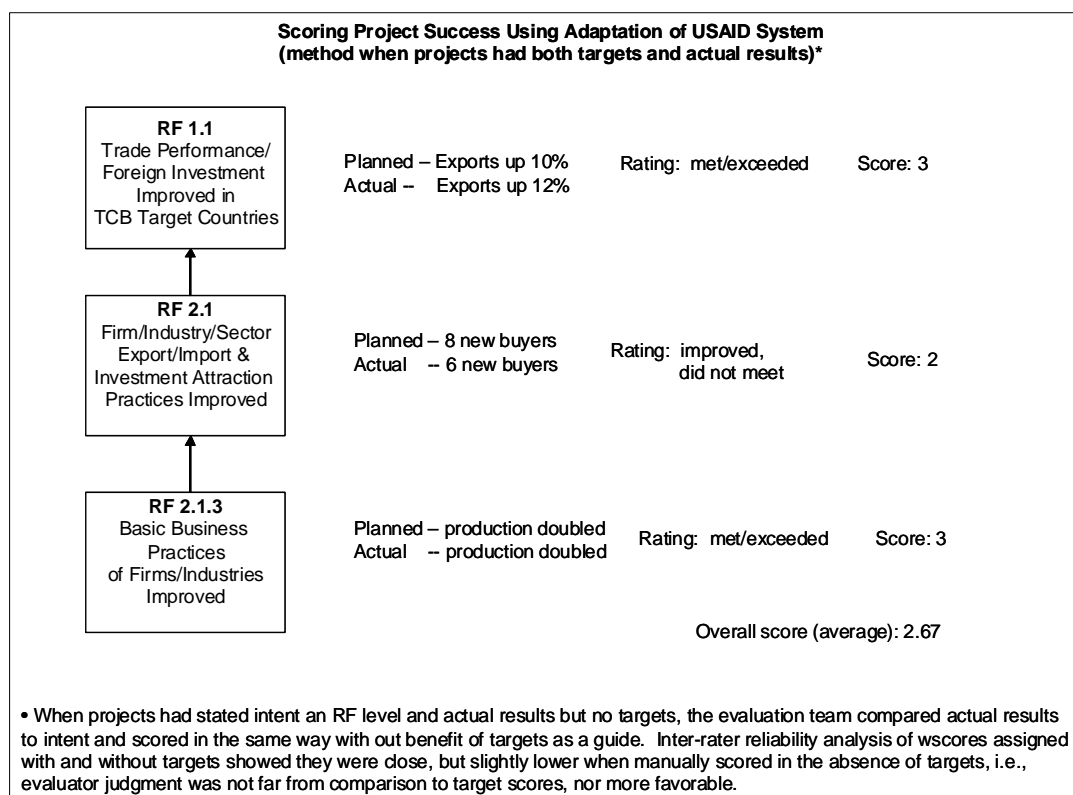
Stakeholder impressions of the value of clusters were sought in the discussions in Washington and in some instances stakeholders identified specific instances where combining elements had proven synergistic.

Evaluation Question 4: Which activities have been more successful in achieving their objectives, and what were the primary factors for their relative success?

Questions 3 and 4 both required an operational definition of success that could be applied across a large number of projects. For this purpose:

- The evaluation transformed an existing three-level USAID program performance rating system, used in Missions and in the preparation of USAID Annual Performance Reports, into a quantitative measure (3= met/exceeded targets/expectations; 2 = showed discernible progress but did not meet targets/expectations; 1 = did not meet targets/expectations).
- MSI then applied this scale to rate performance for individual projects at every Results Framework level at which those projects defined an intention to produce a specific result and provided information showing that the result had been achieved, or the extent to which it had been achieved. For projects rated at several Results Framework levels, ratings were averaged to generate an overall project success rating, as illustrated in the graphic on the following page.
- For the 45 projects that included performance targets, MSI was able to apply this system in the same way that it is applied by USAID staff. For other projects where targets were not included, but both statements of intent and performance data were present, MSI applied the system using its own judgment to determine whether intent or expectations had been met. To determine whether scoring in these two different ways produced functionally equivalent results in an inter-rater reliability sense, the average ratings across projects based on comparisons to explicit targets versus judgment based ratings were compared. The two methods were found to yield comparable ratings, with the judgment-based ratings coming in slightly lower than the more objective comparison to targets ratings. The two sets of ratings were merged. Project success ratings were used to make comparisons between groups of projects (on a geographic basis, by RF cluster, by sector, etc.)
- Factors associated with project success ratings (3,2,1) were analyzed by cross-tabulating project success ratings with all of the other 29 variables on which projects had been coded (see above). A Pearson's chi-square test was run using statistical software, Statistical Package for the Social Sciences (SPSS), for every cross-tabulation, which looks at each category of a variable against each category of another variable (picture a matrix of various columns and rows representing each category). Those factors found to be statistically linked to project success ratings at the .05 level are reported, and these are discussed at length throughout the report

Using the same process used to extract information about project synergies from project documents, the evaluation culled information on what projects viewed as keys and barriers to their success. A content analysis was conducted for each, and examples from projects in both of these categories were selected and reported.



Evaluation Question 5: What impact has USAID TCB projects had on the firms, individuals, associations, sectors, economies, and government agencies targeted by the interventions?

- With respect to individuals, data in project reports on jobs created and income effects were extracted and treated as being measures of USAID’s TCB Goal, expressed in RF 0.0. The frequency with which various types of results were found and examples were reported in the same manner used to report on RF 1.1 and other Results Framework findings by RF level. In addition, USAID “success stories” were examined for information on impact at the level of individuals.
- For firms and associations, findings from project reports that were highlighted in other sections were reprised and “success stories” at this level were reviewed.
- For sectors, an analysis of USAID TCB investments was conducted and international time-series data on impacts at this level was collected. Countries assisted by USAID were grouped for each variable examined (improved, no change, lost ground). Numbers of countries in each group were compared, variable by variable.

Evaluation Question 6: To what extent have the interventions funded by USAID since 2002 succeeded in accomplishing the program’s objectives?

- Evaluation findings for other questions were benchmarked against three definitions of program objectives. The primary source of USAID program objectives for this purpose was USAID’s 2003 TCB strategy paper, Building Trade Capacity in the Developing World. In 2008, USAID released a broader economic growth strategy paper that also discussed trade capacity building. The more recent paper, however, references the 2003 paper as continuing to be the Agency’s primary statement with respect to TCB. In addition to this paper, the evaluation reviewed mission-level statements of project objectives and the Doha Ministerial Declaration in relation to evaluation findings on TCB effects and impact.

In its comparison to USAID's 2003 TCB strategy statement, the evaluation compared findings from the evaluation to the strategy statement's conceptual framework (participation, implementation and responsiveness to economic responsiveness to opportunities or trade). It also compared evaluation findings to other policy statements and operating principles articulated in that document. Program consistency with policy and operating principles defined in this paper were reported.

3. EVALUATION INSTRUMENTS

Data collection instruments used in this evaluation included checklists for reviewing the quality and completeness of evaluation Statements of Work (SOWs) and evaluation reports, shown in Tables 2 and 3 at the end of this annex. These checklists draw on USAID ADS 203 guidelines and those of the American Evaluation Association. In addition, the evaluation conducted an e-survey with USAID mission staff and held three consultation sessions with USAID implementing partners and one with USAID/Washington staff in Washington, D.C. These consultations were based around a set of issues that emerged from the Phase II data collection and analysis process using documentary evidence. A copy of the e-survey is provided at the end of this annex. The issues included parallel those raised in live consultations held in Washington.

4. STUDY DATA

Phase II data came from three sources: 1) international time-series data (IMF, UNCTAD, World Bank, WTO/OECD, U.S. TCB database); 2) internet searches for information about countries (World Bank, IMF, FDI.net and many others), their exports, and other topics on which secondary source data was required by the methods outlined above; and 3) USAID project documents.

From the start it was clear that the evaluation would need to narrow the number of projects it examined using a rational, reportable, and theoretically replicable process. In doing so, it would arrive at a representative set which it would examine in detail and use to draw conclusions about the universes of projects with parallel characteristics. The funnel image displayed on this page was used in MSI's proposal to indicate that this narrowing process was likely to proceed in stages. The bullets below summarize the actual narrowing process used and the set of projects examined by the evaluation team in Phase II.

- Consistent with the evaluation SOW, MSI extracted descriptions of all U.S. government TCB obligations from the TCB database for the period 2002-2006. This step yielded 4,281 annual activity descriptions.
- MSI then linked these 4,281 annual activity descriptions together across years to arrive at the number of projects they appeared to represent. The 2,874 projects identified by linking activity descriptions together were then profiled in the evaluation's Working Paper # 1, *U.S. Investments in Trade Capacity Building (2002-2006)* of October 30, 2008.
- With USAID, the evaluation decided that at that point that the data set should be limited to USAID projects but included projects implemented by other USG agencies such as DOC, USDA, STATE which narrowed the number of projects to 1,429 projects that had received \$2,830,477,900 in USAID TCB funding between 2002 and 2006.
- To make the evaluation more manageable, the evaluation team proposed and USAID accepted a further narrowing which was aimed at identifying the subset of USAID project that was most directly trade-related, i.e., those that would not have been undertaken absent a trade rationale. Sorting USAID TCB projects on this basis ended up excluding those projects aimed at helping all firms in an economy, i.e., general financial system projects, including credit for all small and medium scale enterprises (SMEs); legal system projects, including those that focused on commercial laws that would benefit all firms; labor projects with economy wide attributes; national anti-corruption projects; microeconomic reform projects aimed at improving "doing business" conditions for all firms; and macroeconomic reform projects that were not trade specific. Rather than simply removing all of these projects from the team's records, they were retained for analytic purposes as indirectly trade-related projects and were captured in the Results

Framework as Critical Assumptions. They were from that point on excluded from the set on which the evaluation team would focus and try to collect and analyze project documents. Excluding these indirect USAID TCB projects reduced the set on which the evaluation focused to 876 directly trade-related USAID TCB projects, with a combined USAID TCB funding level of \$2,085,921,953, or 75% of the USAID 2002-2006 total.

- MSI then initiated a search in USAID’s Development Experience Clearinghouse (DEC) and within USAID Missions for projects documents on these 876 projects. The intent was to locate as many documents or information as possible within a six-month time period with the intention of representing as large a segment as was possible of USAID’s TCB portfolio. Among these 876 project were 424 implemented by U.S. firms and private voluntary organization (PVOs); 192 implemented by other U.S. government agencies, of which 129 were implemented by USDA; 10 implemented by international organizations; 75 implemented by local partners in developing countries; and 147 for which no implementing partner could be determined from the description provided in the TCB database or through communications with USAID Missions. As the difficulties associated with locating project documents arose, including the absence of information on award numbers which were the main source of classification for documents in the USAID DEC rather than titles or implementing partner names (which were better known), the evaluation team found it necessary to further narrow its focus, concentrating on the 424 projects implemented by U.S. firms and PVOs, and, working with USDA to locate documents for the 129 projects with which that organization was associated. MSI contacted all involved U.S. firms and PVOs directly for assistance and, while slow, the response from these organizations was invaluable and close to complete. With USDA, MSI narrowed the 129 projects to a set of roughly 26 Resources Support Services Agreement (RSSAs) with which they were associated, but documents for these 26 proved impossible to locate.
- Of the 876 projects for which it set out to locate project documents, the MSI team found, reviewed, and coded project documents for 256 projects in a pre-determined period of time. Documents for another 32 projects eventually trickled in, but these were not coded and are not reported on in this volume. The 256 projects for which the MSI team found and coded project documents received a total of \$1,460,804,666 in US TCB funding. In monetary terms, these 256 projects account for 70% of the \$2,085,921,953 USAID invested in directly trade-related projects funded from 2002 to 2006. These 256 projects were carried out in 78 countries to which USAID has provided TCB assistance. Projects funded during these years represent a somewhat longer period of time. Projects that ended in 2002, for example, would have received funding prior to that year. Similarly, some projects that received initial funding in 2006 ended in 2009 or are still ongoing. In most sections of this Report questions are answered using data from all 256 projects. There are two exceptions. In Part One, Section III, Questions 3 and 4, which discuss project success scores, the number of projects referenced is 213. This is the subset of MSI coded projects for which data was available on both intent and results, allowing for the calculation of a results score. In Part One, Section III, Question 3 and 4, where combinations and the statistical significance found in Pearson chi-square tests for projects included in cross-tabulations run with SPSS is discussed, the number of projects referenced is 231. This includes all country and regional projects that could be associated with the geographic regions in which USAID works. USAID globally funded projects and a few projects implemented by partners other than U.S. firms and PVO were excluded from the SPSS portion of the evaluation’s analysis.
- In most sections of this Report questions are answered using data from all 256 projects. There are, however, some exceptions. While some tables cover 256 projects, others present data on 230 projects for which data were included in an SPSS analysis of projects funded by USAID missions and regional offices, but not centrally by USAID/Washington. In addition, some sections presented data for 213 projects, the subset of 256 total projects for which project “success” scores were assigned.

5. DATA LIMITATIONS

In any large study there are numerous opportunities for error. While this evaluation faced a number of challenges in this regard, none appear to have been significant enough to introduce major errors or distortions. Key areas of possible error nonetheless exist and include:

- **Errors in connecting annual funding entries to identify multiyear projects.** The funding entries in the TCB database that MSI reviewed evidenced shifts in activity titles and descriptions from year to year that sometimes made it difficult to be certain that descriptions that appeared similar over several years applied to a single, given project. To guard against error, MSI frequently searched for information about activities described in the TCB database to confirm that what looked like multiyear projects were described as such elsewhere.
- **Difficulties in locating project documents.** The process of locating documents for USAID TCB projects was long and complicated. While the 256 TCB projects for which MSI located documentation represents a high proportion of the funding for USAID TCB projects, as described above, it also means that MSI found documents for 29% of the projects for which it searched. In the course of this effort, MSI discovered that DEC searches do not easily turn up documents that USAID and its partners believe have been submitted. Documents could not necessarily be located using searches based on a project name, contractor/grantee name, or country name. Documents for some projects were eventually found by searching using the contractor/grantee's award number—something that is not necessarily known to the public, or to USAID staff in missions other than that in which the project was implemented. The evaluation team was most successful in locating documents for projects implemented by U.S. firms and PVOs. It was less successful locating documents on projects implemented by firms and other types of organizations overseas or by other U.S. government agencies, for which very few documents were found in the DEC. In addition to searching the DEC, MSI worked closely with USDA to locate documentation on TCB projects it had implemented for USAID, but that effort too turned up information on only a small proportion of the projects for which documents were sought.
- **Accuracy in USAID project reports.** For basic information on project results, the evaluation relied heavily on project documents, many of which were prepared by U.S. firms and PVOs that implemented those projects. Project documentation also included evaluations carried out at USAID's behest by individuals who were not involved with the projects they evaluated. The percentage of projects for which evaluations of this sort were found, however, was relatively low (15%). With respect to project documents, the evaluation depended most heavily on project reports on performance against specific results using performance indicators that contractor/grantees would have agreed upon with USAID. Figures extracted from these documents were often found in both quarterly and final reports, which USAID staff would have reviewed, and some of which, pursuant to USAID requirements, would have been the focus of data quality assessments every three years. In addition to searching for third party information on USAID projects, as described below, in its e-survey sent to USAID mission staff MSI asked how they viewed the credibility of the data MSI had extracted from project documents; all respondents to that question stated that the particular types of performance monitoring information that MSI had used for their mission's projects was very credible. Nevertheless, MSI did not validate these data in the field, and it is possible that some of the information on project achievements included in this report are less than fully accurate.
- **Adequacy of Third Party Documentation.** To guard against over-reliance on USAID project documents, MSI routinely searched online for third-party descriptions of project results and sometimes found such descriptions in local press reports, academic publications, and publications of other donor organizations. Where materials of this type were found, they were compared to information provided in USAID report. The availability of materials of this sort was very uneven. As a result, gaps exist in the extent to which MSI was able to cross-check information from project documents with other sources, except in a general way during the evaluation's Phase III stakeholder consultations.

- **Scoring Project Success.** MSI adapted a three-point USAID scale for scoring success that is normally used to rate progress on one performance indicator at a time. For this evaluation, MSI averaged scores across indicators at various levels of results addressed by TCB projects. Averaging may have overrepresented scores on some lower level results, e.g., outputs, or underrepresented scores on higher level results, e.g., outcomes. Additionally, while USAID’s three-point scale is normally used only where targets have been established on performance indicators, the evaluation also applied it where project documents expressed an intent to achieve a particular result and reported on accomplishments but had not established a target. Roughly half the projects MSI scored had performance targets, while half did not. MSI compared the average ratings given to projects that did and did not have targets and found those averages to be very similar. Nevertheless, scores given to project that did not have specific targets may not have been quite as accurate a reading on performance as scores given to projects that did have targets.

Table I. “Getting to Answers”

| Study Questions | Phase | Methods for Data Collection, e.g., Records, Structured Observation, Key Informant Interviews, Mini-Survey | Sampling or Selection Approach, (if one is needed) | Data Analysis Methods, e.g., Frequency Distributions, Trend Analysis, Cross-Tabulations, Content Analysis |
|--|--------|---|--|--|
| <p>1. To what extent have USAID programs contributed in a measurable way to improved trade capacity in the target countries?</p> | I & II | <p>Records: TCB obligations – TCB database TCB annual activity narratives – restructured as single and/or multiyear projects (to permit use of projects as a key “unit of analysis”) Time series data on TCB outcomes & impact (IMF, World Bank, UN, UNCTAD, etc.) Published TCB research and other published information on TCB recipient countries USAID official project documents (DEC, Implementing partners) Other sources of information about USAID TCB projects, including IP websites, press, locally published research papers, internet, etc.</p> | <p>All TCB recipients – for regression For forensic or “backpass” analysis, a criteria sample of TCB recipients: (a) top USAID TCB recipients or (b) no USAID TCB (counterfactual); and (c) strong increase in manufactured exports (with/without extractives) or service exports; and (d) weak/no increase in exports (among top USAID TCB recipients)</p> | <p>Program Theory Diagram (Results Framework) consistent with published research and USAID projects Regression analysis – independent variable: TCB obligations; dependent variable: changes in time series data on TCB Results Framework outcomes “Backpass” analysis of range of plausible causes of observed country level outcomes, including USAID projects results</p> |
| | III | <p>Interviews based on Phase II draft: Key USAID & Other USG Staff Interviews/Consultations Key Implementing Partner Interviews/ Consultations Mini-survey – USAID field staff TCB Research Community Consultations</p> | <p>Criteria sample based on experience with TCB programs</p> | <p>Content analysis and tabulations</p> |
| <p>2. How can USAID integrate monitoring and evaluation into the design and implementation of TCB programs more</p> | I & II | <p>Records: USAID monitoring and evaluation policy (ADS) USAID program and project level TCB performance indicators – USAID Strategic & Annual Plans, current standard indicators WTO meeting Reports and papers on TCB</p> | <p>As complete as possible – census intent</p> | <p>Content analysis Frequency distributions on USAID use of indicators, targets, baselines in TCB projects</p> |

| Study Questions | Phase | Methods for Data Collection, e.g., Records, Structured Observation, Key Informant Interviews, Mini-Survey | Sampling or Selection Approach, (if one is needed) | Data Analysis Methods, e.g., Frequency Distributions, Trend Analysis, Cross-Tabulations, Content Analysis |
|---|--------|--|--|---|
| systematically? | | monitoring USAID and other donor TCB evaluations | | |
| | III | Interviews based on Phase II draft: Key USAID Staff Interviews/Consultations Key Implementing Partner Interviews/ Consultations Mini-survey – USAID field staff | Criteria sample based on experience with TCB programs | Content analysis and tabulations |
| 3. What combinations of USAID TCB activities or interventions were more successful and sustainable than others, and what were the primary synergies that contributed to that success? | I & II | Records: USAID official project documents (DEC, implementing partners) USAID Strategic Plans, Annual Reports, Budget Submissions, etc. Other sources of information about USAID TCB projects, including IP websites, press, locally published research papers, internet, etc. | Criteria sample of USAID TCB projects coded by evaluation as being directly trade-related, consistent with Foreign Assistance Standardized Program Structure and Definitions for trade-related and other Program Elements and broad WTO guidelines For that sample, maximum number of projects for which documents can be located | Content analysis of project documents Tabulations and cross-tabulations for results variables; cluster (Results Framework and sector) variables; and modality variables in statistical analysis (Chi square in SPSS) |
| | III | Interviews based on Phase II draft: Key USAID Staff Interviews/Consultations Key Implementing Partner Interviews/ Consultations Mini-survey – USAID field staff | Criteria sample based on experience with TCB programs | Content analysis and tabulations |
| 4. Which USAID TCB activities have been more successful in achieving their objectives, and what were the primary factors for their relative success? | I & II | Records: USAID official project documents (DEC, implementing partners) USAID Strategic Plans, Annual Reports, Budget Submissions, etc. Other sources of information about USAID TCB projects, including IP websites, press, locally published research papers, internet, etc. | All USAID directly trade-related projects for which documents can be found | Content analysis of project documents Tabulations and cross-tabulations for results variables; process (implementation) variables; and context variables in statistical analysis (Chi |

| Study Questions | Phase | Methods for Data Collection, e.g., Records, Structured Observation, Key Informant Interviews, Mini-Survey | Sampling or Selection Approach, (if one is needed) | Data Analysis Methods, e.g., Frequency Distributions, Trend Analysis, Cross-Tabulations, Content Analysis |
|---|--------|--|--|---|
| | | | | square in SPSS) |
| 5. What impact have USAID TCB projects had on the firms, individuals, associations, sectors, economies and government agencies targeted by the interventions? | I & II | Records: USAID official project documents (DEC, implementing partners) USAID Strategic Plans, Annual Reports, Budget Submissions, etc. Other sources of information about USAID TCB projects, including IP websites, press, locally published research papers, internet, etc. | All USAID directly trade-related projects for which documents can be found | Content analysis of project documents Tabulations and cross-tabulations for beneficiary variables in statistical analysis (Chi square in SPSS) |
| | III | Interviews based on Phase II draft: Key USAID Staff Interviews/Consultations Key Implementing Partner Interviews/ Consultations Mini-survey – USAID field staff | Criteria sample based on experience with TCB programs | Content analysis and tabulations |
| 6. To what extent have the interventions funded by USAID since 2002 succeeded in accomplishing the program’s objectives? | I & II | USAID TCB Strategy Statement (2003) USAID Annual Performance Reports USAID Mission level Strategic Plans and Annual Reports WTO/OECD TCB status/progress Reports | | Content analysis Pattern analysis within and across country plans and TCB portfolios |
| | III | Interviews based on Phase II draft: Key USAID Staff Interviews/Consultations Key Implementing Partner Interviews/ Consultations Mini-survey – USAID field staff | Criteria sample based on experience with TCB programs | Content analysis |

Table 2. Statement of Work Checklist Keyed to USAID ADS 203.3.6.3

| SOW Elements and Sub-Elements | How Well is the SOW Element Addressed ⁵⁶ | | | | | Issues Noted by SOW Reviewer |
|--|---|------------|---------|------------------------|----------------|------------------------------|
| | Complete | | Partial | Incomplete | | |
| | Above Average | Acceptable | | Applicable but Missing | Not Applicable | |
| Identify the activity, project, or approach to be evaluated | | | | | | |
| 1. Is the SOW clear and specific about what is to be evaluated, e.g., activity/project/approach; funding mission/office; sector/topic; budget; target group/area? (looking at the big picture) | | | | | | |
| 2. Is the duration of the project or program stated in the SOW, i.e., start and end years? | | | | | | |
| Provide a brief background on the development hypotheses and its implementation | | | | | | |
| 3. Is the SOW clear and specific about the problem or opportunity the activity/project/approach was expected to address? | | | | | | |
| 4. Does the SOW provide a clear description of the development hypotheses; intended results; critical assumptions, e.g., narrative, and/or Results Framework/Logical Framework? | | | | | | |
| 5. Does the SOW clearly describe the nature of the intervention, i.e., what USAID would deliver (training, TA, etc.) and what was expected to change (at the output and especially outcome levels) | | | | | | |
| 6. Does the SOW include information about changes in the project environment since the start of implementation, e.g., policy, economic, political, other donor program changes, or any natural disaster other changed assumptions. | | | | | | |
| 7. Does the SOW include information about changes in the activity/project design or implementation since the start of implementation, e.g., changes in budget; team; substantive modifications; relationships with other entities? | | | | | | |
| Identify existing performance information source, with special attention to monitoring data. | | | | | | |
| 8. Is SOW clear and specific about existing activity/project/approach (program) monitoring | | | | | | |

⁵⁶ Key: Missing = element was not covered in SOW; Partial = At least one key aspect was not covered; Acceptable = all aspects were covered; Above average = covered all aspects but went beyond basics in at least one way that is likely to help evaluators.

| | | | | | | |
|---|--|--|--|--|--|--|
| data/reports that are available, i.e., specific indicators tracked, baseline data, targets, progress towards targets; narrative quarterly/annual reports; and when/how evaluators can access these data? | | | | | | |
| 9. Does the SOW describe other documents or sources of information that would be useful to the evaluation team, e.g., government or international data USAID is using to monitor activity/project/approach outcomes, e.g., growth rate, poverty rate, etc.? | | | | | | |
| State the purpose of, audience for and use of the evaluation | | | | | | |
| 10. Is the SOW clear and specific about why, in management terms, the evaluation is being conducted, i.e., what management decisions an evaluation at this time will inform? (ADS 203.3.6.1 identifies several management reasons why USAID might undertake an evaluation). | | | | | | |
| 11. Does the SOW indicate who makes up the audience for the evaluation, i.e., what types of managers in which organizations, e.g., USAID; Implementing Partner(s); the host government, other donors, etc., are expected to benefit from the evaluation and how? | | | | | | |
| Clarify the evaluation question(s) | | | | | | |
| 12. Does the SOW include a list of the specific questions the evaluation team is expected to answer? [Please enter the number of question in the far right hand column.] | | | | | | Number of Questions SOW asks the evaluation to address [count question marks]: |
| 13. Is the SOW list of evaluation questions/directives consistent with USAID expectations about limiting the number asked? (ADS 203.3.6.2 says “a small number of key questions or specific issues answerable with empirical evidence.”) [Small is often considered to be less than ten; every question mark signals a question.] | | | | | | |
| 14. Does the SOW indicate the relative priority of the evaluation questions/directives, e.g., are they in priority order or are “top priorities” identified? | | | | | | |
| 15. As a group, do the evaluation questions/directives appear to be consistent and supportive of the evaluation’s purpose? | | | | | | |
| Identify the evaluation methods (USAID may either specify methods or ask the evaluation team to suggest methods) | | | | | | |
| 16. Is it clear from the SOW whether USAID requires the use of specific data collection/analysis methods or is leaving such decisions up to the evaluators? | | | | | | Describe: |

| | | | | | | |
|--|--|--|--|--|--|--|
| 17. Is the SOW clear and specific about any evaluation methods it recommends, e.g., does it state which methods are to be used to answer each question, OR which methods of analysis will be used with which type of data? | | | | | | |
| 18. Is the SOW clear and specific about any data disaggregation, e.g., by gender, or geographic region, etc., it requires? | | | | | | |
| 19. Is the SOW clear and specific about any samples (e.g., representative); analyses (comparison of means for two groups); or response criteria (significant at the .05 level) it mentions? | | | | | | |
| Specify evaluation deliverable(s) and the timeline | | | | | | |
| 20. Are the deliverables for which the evaluation team is responsible clearly specified in the SOW? | | | | | | |
| 21. If deliverables in addition to a draft and final version of the report are required, e.g., detailed evaluation plan, summary of findings prior to drafting the report; oral briefings for stakeholder, are these deliverables clearly described? | | | | | | |
| 22. Does the SOW include information about expected start and completion dates for the evaluation? | | | | | | |
| 23. Are dates provided for all of the deliverables specified as evaluation requirements? | | | | | | |
| Discuss evaluation team composition (one team member should be an evaluation specialist) and participation of customers and partners. | | | | | | |
| 24. Is the SOW clear about the LOE available or size of the team that is required for the evaluation? | | | | | | |
| 25. Are specific positions and/or skills the team is expected to include clearly defined, e.g., specific positions and associated qualifications including technical, geographic, language and other skill/experience requirements? | | | | | | |
| 26. Is the SOW explicit about requiring that one team member be an evaluation specialist? | | | | | | |
| 27. Is the SOW clear about whether and how USAID expects its staff; partners; customer/beneficiaries or other stakeholders to participate in the evaluation process (i.e. developing the SOW, collecting/analyzing data or providing recommendations)? | | | | | | |
| Cover procedures such as scheduling and logistics | | | | | | |
| 28. Is the SOW clear and specific about any specific dates that need to be reflected in the evaluation team's plan, e.g., local holidays, specific dates for oral presentations already scheduled, etc. | | | | | | |

| | | | | | |
|--|-----|----|--------------------------|--|--|
| 29. Is the SOW clear about whether space, a car or any other equipment will be made available to the team or that they must make their own arrangements? | | | | | |
| Clarify requirements for reporting | | | | | |
| 30. Is the SOW clear about what it requires in the evaluation report, e.g., Executive Summary; SOW as an attachment; methodology description and instruments; list of places visited, language(s) in which the report is to be submitted, etc? | | | | | |
| 31. Is the SOW clear about dissemination requirements, e.g., numbers of hard copies of final report needed; PowerPoint/handouts for oral briefings; submission to the DEC, etc. | | | | | |
| Include a budget | | | | | |
| 32. Is the SOW clear about the total budget or at least the LOE available for the evaluation? | | | | | |
| Reviewer Sense of Reasonableness | | | | | |
| 33. In the reviewer's judgment, is the relationship between the number of evaluation questions/directives, timeline and budget for this evaluation clear and reasonable? | Yes | No | Insufficient Information | | |

MSI: 2/9/10.mh

| | Yes | No | | Yes | No |
|----------------------------|-----|----|------------------------------|-----|----|
| Findings (F) | | | Lessons Learned | | |
| • Separate section | | | • Doesn't fit w/ C&R | | |
| • Linked to Q/Is | | | • For other places/times | | |
| • All Q/Is addressed | | | Executive Summary | | |
| • No Cs or Rs in section | | | • Is a snapshot of Report | | |
| • Raw data analyzed | | | • Adds no new info | | |
| • Data all methods used | | | Evidence of Change | | |
| • N with %s in text | | | • Quantitative | | |
| Conclusions (C) | | | • Qualitative | | |
| • Separate from F&R | | | Evidence of Causality | | |
| • Supported by F | | | • Comparative | | |
| • Not just Fs restated | | | • Time Series Break | | |
| • No new Fs | | | • Econometric | | |
| • Not Rs | | | • Forensic (alt. causes) | | |
| • Linked to Q/Is | | | Comparisons | | |
| Recommendations (R) | | | • Before and After | | |
| • Separate from F&C | | | • Comparison Group | | |
| • Supported by F&C | | | • Control Group (RCT) | | |
| • No new Fs or Cs | | | | | |
| • Intended Actor Clear | | | | | |
| • Action needed is clear | | | | | |
| • Linked to Q/Is | | | | | |
| • Linked to Purpose | | | | | |

Other Notes and Comments on the Evaluation

Exhibit I. Washington Stakeholder Consultation Synopsis

During Phase III of the evaluation, MSI conducted four Stakeholder Consultation sessions in Washington, D.C. Three of these sessions were attended by representations of USAID implementing partner (IP) organizations – U.S. firms and Private Voluntary Organizations (PVOs). These sessions were held at MSI on June 28, 29, 30, 2010. Each day of this series focused on a specific cluster of TCB projects. In order, the sessions focused on the RF 2.1 cluster, *private sector trade-related practices*; the RF 2.2 cluster, *public sector trade-related practices* and the RF 2.3 cluster, *reductions in the time and cost of moving goods across borders*. Implementing partners were invited to send representatives each day and they were encouraged to send individuals familiar with the TCB project clusters. The morning sessions each day included a briefing on the evaluation’s Phase II findings. Afternoons focused on issue raised by those findings, including the balance in the USAID TCB portfolio between the three results clusters; the portfolio balance on the export side between agriculture, manufacturing and services, and cross-cutting performance monitoring issues. Sections below summarize the discussion in each of these sessions. A fourth session was held on August 30, 2010 for USAID/Washington staff. This final session evaluation focused on findings for all three of the results clusters. Sections below summarize these proceedings. Information gathered through these consultations was used in preparing the final version of the evaluation report.

IMPLEMENTING PARTNER STAKEHOLDER CONSULTATIONS – DAY I: PRIVATE SECTOR TRADE PRACTICES

During the issues discussion, Implementing Partners (IP’s) began by highlighting the reason for an imbalance between agricultural and other types of exports in the TCB portfolio. They explained that concerns about food security in USAID assisted countries as well as the fact that with agriculture, measurable results can be achieved during the life span an average USAID project. They also stated that job creation with agriculture is greater than with capital-intensive manufacturing (whose start-up costs are greater and riskier). Poor infrastructure was also highlighted as hampering manufacturing exports (i.e., lack of power, transport or water) more than agriculture. IP’s rallied around these ideas and supported the seemingly imbalanced portfolio as a necessary means to an end: pursuant to economic theories about phases of development and freeing up laborers to work in factories is a precondition to a shift towards the production of manufactured goods. This, they said, has not yet occurred in many of the countries in which USAID works.

USAID’s 2002 TCB Strategy paper made a commitment to help developing countries reduce their dependence on unprocessed tropical goods and agricultural commodity exports, yet many of the products on which USAID TCB projects in the RF 2.1 cluster (private sector practices) focused fit this description. IP’s challenged the notion that USAID TCB projects supported the exports of unprocessed tropical agricultural commodities. Irrespective of SITC coding, they maintained that considerable value was added by enabling exporters to sell to niche upscale markets and to meet quality SPS standards and “fair-trade” requirements. Moreover, frequently new and different products, such as sliced pineapples, add value and are not necessarily reflected in changes in SITC or HS coding.

During the course of MSI’s Phase II research, many questions regarding the sustainability and effectiveness of USAID TCB projects arose. Across a large number of projects in the RF 2.1 (private sector trade practices) cluster two strategic approaches or “models” were frequently cited and used; no new models seem to have emerged from USAID’s own field experiences. From USAID project experience, what are the key lessons we have learned about the most efficient way to improve the capacity of local producers to export? And what have we tried that didn’t work? The IP’s strongly supported the use of value chain methodology in their work, and to a lesser extent, the use of clusters. No new models were mentioned. Some implementers were of the view that the most efficient way to improve capacity to export was to focus efforts in a value chain on an “anchor” firm leading the way for reforms. The implementers also believed that the cluster approach has been less successful than the value chain approach. IP’s also seems to express some skepticism about the sustainability of clusters after the conclusion of a project. The IP’s believed that even if local support entities

working on a project go out of business, the individuals involved will continue to provide training and TA in the future. Therefore, sustainability should not be measured solely upon a determination of whether the firms or PVO's remain in existence after a project ends. This was particularly true they said for business service firms that receive USAID support to provide training and assistance to producer/exporter organizations.

While most projects with a RF 2.1 focus identified intended results and indicators, many lacked baselines and targets, and only a fraction reported performance on a gender disaggregated basis. The discussion started with asking IP's: "what does your experience suggest may be impediments to baseline data collection and target setting that make these tasks more difficult for TCB than for other fields in which USAID works?" USAID's ADS requirement for gender disaggregation in performance reporting did not always produce gender disaggregated information in project reports on RF 2.1 private sector activities. The IP's generally questioned the assertion that RF 2.1 projects lacked baselines and targets. Several of them said that this might be the case in the final report, but that the project documents, and particularly the PMP developed shortly after project initiation, should have this data. They suggested that MSI look again at the project documents for this information, particularly for export projects which they thought were more likely than perhaps other kinds of projects to have these data

IMPLEMENTING PARTNER STAKEHOLDER CONSULTATIONS DAY 2 – PUBLIC SECTOR TRADE PRACTICES

As the first day focused on the perceived "imbalance" between agriculture and manufacturing within private sector trade practices, the second day began with an introduction to the seeming lack of funds within public sector trade practices and institution strengthening. Activities that support public sector trade-related practices account for 15% of USAID TCB funding for directly trade-related projects during the evaluation study period, compared to 72% for private sector trade practices and 13% for trade facilitation specifically. USAID projects often have components that focus on two or more of these results clusters. From a field perspective, MSI solicited feedback on how appropriate the balance has been for achieving trade and investment performance results. A major implementer was of the view that modest resources allocated to public sector practices can go a long way and therefore the heavy emphasis on private sector trade projects in funding terms is probably appropriate. This view was not contradicted by other IP's.

In terms of achieving measurable improvements in public sector trade-related practices in developing countries (other than customs) what have we learned from field experience about the balance in USAID's portfolio between projects focused on trade policy reform and trade agreements versus project components that help countries implement the trade policies they adopt and the agreements they sign? The implementers were of the view that technical assistance relating to WTO accession or the inclusion of an FTA or RTA had a bigger impact and was more likely to succeed because of the political impetus to accede to the WTO or join the FTA/RTA.

MSI noted that while some types of TCB activities are guided by well developed approaches and guidelines, e.g., export clusters, customs modernization, projects in the TCB portfolio that focused on the implementation of trade agreements seemed to be a random collection, possibly simply responses to requests that did not cluster around particular agreements or on a well defined set of problems. What does field experience tell us about the adequacy of USAID's strategy for helping countries implement trade agreements once they have been signed – often with USAID support? This issue sparked a vigorous discussion among implementers. The assertion that implementation of trade agreements involved a random collection of projects was disputed; implementer's were of the view that most of these projects focus on SPS and TBT assistance, with a lesser amount relating to TRIPS, agriculture, GATS, government procurement, and labor practices. One implementer summarized by saying that the projects are "demand-driven", i.e., they respond to the specific requests of the beneficiary country.

One result addressed by almost all projects with a public sector trade focus was institutional change, either in trade ministries or specialized units such as export/investment promotion agencies. Results statements in this sub-field were often vague and so where the performance indicators. What can we say from field experience

about the changes we are really trying to bring about and what constitutes evidence of those changes? Do we, collectively, have experience from other types of USAID projects that could bring more discipline to our thinking about institutional change under TCB projects – the changes we really want and how to measure them? The IP discussion that revolved around the topic of institutional change projects seemed to indicate that they were at the mercy of the ministries that were being assisted. A well thought out program of technical assistance might not be implemented, and recommendations regarding organizational restructuring might not be followed. Moreover, measuring institutional change in a trade ministry is challenging. Counting the number of people trained, training events, information centers established, etc., are only secondary measurements and do not necessarily lead to institutional strengthening.

IMPLEMENTING PARTNER STAKEHOLDER CONSULTATIONS DAY 3 – TRADE FACILITATION

Projects and project components that focus on projects with a trade facilitation component accounted for 13% of USAID TCB directly trade-related funds. Based on field experience, how appropriate has the emphasis in USAID’s portfolio between export development and trade facilitation been. How badly, for example, are trade facilitation issues constraining exports from USAID projects with a private sector trade focus? Comments by implementers during all three focus groups indicated that trade facilitation problems are a major impediment to the development of exports. However, the relatively small amount of funds allocated to trade facilitation by USAID during the 2002-2006 period may be explained by several factors: (1) USAID generally does not finance port, airport, customs ICT, and other infrastructure improvements. These projects are typically undertaken by the World Bank and other IFIs, MCC, and other bilateral donors. (2) Research highlighting the importance of improved trade facilitation is very recent. Initial work by World Bank economists took place in the 2003-2006 time period, and the two primary measurements of trade facilitation, the World Bank’s Doing Business Trading across Borders annual survey and its Logistics Performance Index, date from 2005-2006. (3) Funding of TCB is generally controlled by USAID missions that are more comfortable supporting RF 2.1 export promotion projects, as noted above.

Compared to a large number of projects that focus on private sector support service entities that provide training on trade opportunities and regulations and business practices under RF 2.1, the evaluation found only a handful of USAID TCB projects that focused on improving private sector trade facilitation services, e.g., transport, logistics, warehousing, packaging, trade finance. From field experiences what we have learned about needs for assistance in this arena and “best practices” that might be replicated elsewhere? The implementers agreed that there had been little focus by USAID on improving private sector trade facilitation services. USAID’s focus has been primarily on the operations of customs administrations. The issue of trade finance was discussed and the consensus was that other financial services, such as the provision of customs guarantees, were also important and should be included in RF 2.3.

Before 2006, USAID was the main provider of TCB assistance. Since then MCC has become an active provider of TCB assistance as well, sometimes focusing on infrastructure and customs modernization. Based on field experience, what have we learned for the future about USAID’s comparative advantage in the trade facilitation arena? The implementers did not comment on this issue. They did not appear to have had experience with MCC TCB programs. MCC TCB programs fall into two categories – country compacts, which are administered by the beneficiary countries and therefore do not normally involve USAID implementers, and Threshold Country Programs (TCPs) which are usually administered by USAID and therefore do involve private contractors. MCC is better suited to fund infrastructure improvements related to trade facilitation, such as port improvements and ICT systems. USAID is better suited to provide ongoing technical assistance because of the presence of USAID missions, use of private sector implementers, and linkage with other USAID projects such as food security.

MSI’s analysis of project success used a variant of USAID’s rating system to divide projects examined into three categories: (1) Met/exceeded targets/intent; (2) improved but did not meet targets/intent; and (3) did not meet targets/intent. 50% of the projects met/exceeded targets; 47% of the projects improved but did not

meet targets; and 3% did not meet targets. Are these results consistent with your experience in the field? The implementers were skeptical of the reported high success ratings of TCB projects. In their view, implementers and local missions tend to set goals that are relatively easy to achieve, although more ambitious proposals submitted in response to RFPs may be higher rated when implementers are being selected. In addition, the implementers pointed out those final reports put the best light on project performance and that an independent assessment might be different..

The analysis showed that projects that incorporated public-private sector dialogue were rated higher (more successful) than those using a value chain or cluster approach. Are these results consistent with your experience in the field? The implementers agreed that projects that incorporated public-private dialogues were more successful than projects that did not.

USAID/WASHINGTON STAKEHOLDER CONSULTATIONS DAY 4 – PHASE II EVALUATION FINDINGS

The group started off the Phase III Stakeholder Consultations session by going through the findings of the Phase II research. This eventually led to a lengthy discussion involving breaking down three key issues we have found with TCB programs.

The first issue goes over the overall balance in the TCB portfolio. Research has shown that there has been a strong emphasis on the private sector, which is consistent with USAID's 2003 strategy paper. But what we are trying to see is whether or not this distribution, or balance, seems to be appropriate historically. And does it continue to be appropriate today and for the future? Responding to this issue, USAID staff indicated that working with the private sector has proven to be much easier than working with the public sector. Additionally, there have been several success stories. Therefore, USAID seems to be more comfortable working in this sector due to familiarity, which could be a reason for why the balance is the way it is. There could be some neglect of the other two sectors, the public sector and trade facilitation. Overall, one staff member said, we'd like to believe that there was an analytical process that got them to arrive at this distribution, but this may not be the case. Setting targets in the first TCB strategy paper may not have been the right way to get an analytic process for TCB programming institutionalized at the field level..

Stemming from the first issue, the group then discussed the balance found within the private sector. Of 181 projects that included a sector focus, 78% focused at least in part on agriculture; 37% included a manufacturing focus and 30% focused at least in part on the service sector. Does the balance between USAID TCB investments in agricultural, manufactured and service exports (including tourism) in the portfolio seem to have been appropriate historically and does it continue to be appropriate today and for the future? This turned out to be a very difficult question to analyze. Some USAID staff believe that focusing on agriculture makes more sense in terms of employment and income generation in many of the countries in which we work. You get a "bigger bang for your buck". But it's important to note that just because agriculture is easy to measure, it does not mean that it is more important than manufacturing and services other staff responded. We can have big impacts from projects that are difficult to measure. It was agreed that USAID/Washington provide guidance and advice, while the missions themselves should decide how to sort out the balance using USAID/Washington guidance. As one staff member explained -- we want to avoid strict, clear-cut recommendations for how programs and projects in the private sector should be divided. From this discussion, it was mentioned that there is a lack of innovation within the manufacturing sector in this trade portfolio. Studies have shown that you do not need to go through agriculture to get to manufacturing.

USAID's 2003 TCB strategy paper made a commitment to help developing countries reduce their dependence on unprocessed tropical agricultural commodity exports. Yet, within the agriculture sub-cluster a number of USAID TCB projects focused on traditional or unprocessed products such as coffee. What is to be made of the seeming contradiction between the USAID 2003 TCB strategy paper's position on traditional agricultural products and USAID TCB investments in those types of products? MSI noted that in projects it

examined they saw specialty vegetables, but very little processing. USAID staff expressed interest in this issue, but did not have case examples to bring to bear.

Another important point that was discussed was the role of USAID funding and its portrayal of value. Some projects cost more in nature, but some of the important things we can do to improve economic growth do not cost that much, e.g. policy change. Therefore, creating figures to portray the TCB program based solely on funding/dollar amounts provides an inadequate picture, they felt. It can lead people to believe that the more expensive projects are more important, which is not always the case.

MSI then asked, from your perspective and knowledge of field programs, does the balance between the public sector segment of the TCB portfolio, between reaching agreement/adopting reforms and implementing them, and between WTO accession and regional/bi-lateral trade agreements seem to have been appropriate historically. Does it continue to be appropriate today and for the future? USAID staff responded that this is demand driven and depends on the country situation. You need the flexibility to do both depending on the situation at hand.

For RF 2.3 (trade facilitation) MSI noted that customs modernization was the most frequent focus of projects under this cluster (50%), while 33% of this total focused at least in part on private sector trade facilitation services and 17% on directly trade-related infrastructure. Considering the fact that since 2006 the Millennium Challenge Corporation has begun to invest in customs modernization as well as infrastructure, does the balance between USAID TCB investments in customs modernization, trade-related infrastructure and private sector trade facilitation services seem to have been appropriate historically? Does it continue to be appropriate today and for the future? Trade facilitation requires attention, USAID staff indicated. One reason that the percentage for private sector trade facilitation services is so small is because we may not have the expertise even though there is recognition that it is important. There is also an issue with incentives. Projects dealing with private sector trade facilitation and trade-related infrastructure usually cannot have measurable results within a project timeframe. Transport, for example, is like this in that in order to turn a transport sector, you are looking at several years with little discernable impact. There are also high risks and costs with these two activities.

The second issue brings up the idea of sustainability and the importance of its role in TCB programs, MSI added. How sustainable are industry clusters beyond the life of USAID projects? How sustainable are the support organizations USAID funds through projects to provide business, market and trade requirement training and technical assistance to producer/exporters? And how important is it that these kinds of entities be sustained? Throughout the research, it was found that there has not been a lot of effort in projects to really give a picture of sustainability. We need to define what we mean by “sustainability”, USAID staff responded. A systemic impact, one that is not directly affected by USAID’s intervention, upon a sector is much more important than the impact of a specific enterprise because of the constant churning of the private sector. You may not be able to track down the direct footprint from the intervention, but you may be able to see others following it. This should qualify as being “sustainable”. USAID needs to identify where sustainability is important and use this information to train the implementing partners to focus on aspects that should be sustained rather than focusing on a little bit of everything.

Performance monitoring and evaluation was the last issue discussed during this session. Does performance monitoring and evaluation of TCB projects seem to be better, worse, or about the same as performance monitoring and evaluation of other types of economic growth projects USAID supports? Where are M&E improvements in the TCB portfolio most needed? Even though neither of these questions was directly addressed, a few important points relating to M&E were brought up. There has been an unusually low level of targeting by projects. They report results, but not against a target, MSI noted. USAID staff indicated that this situation was not ideal. Setting a specific target is very useful, even if it is just using a trend line rather than a numerical target, one said. Another issue that was mentioned is the misuse of benchmarks. We have seen many projects that set zero as the benchmark when it should not, which then removes the baseline and leads to misinterpretation.

Research shows that only 15% of TCB projects were evaluated. Is this an under representation? Some of the USAID staff said they believe that there are more, but are not reported. But it was also mentioned that it is rare to hear people get excited about evaluation because they do not see it as being useful. This could be a reason why the percentage is so low. Another issue is that many of the evaluations seen are not complete or are done poorly or too simply.

Exhibit 2. Trade Capacity Building (TCB) Evaluation e-Questionnaire for USAID Staff

This questionnaire is one element of USAID's effort to obtain stakeholder feedback on the findings reported in the Phase II report from its Cross-Country Cluster Evaluation of Trade Capacity Building (TCB) Programs. A copy of this report was sent to USAID staff at all posts that have reported on TCB expenditures since 2002.

This questionnaire is a key element of the evaluation's Phase III consultation with stakeholders. In addition to responses to this questionnaire from USAID staff – and any supplementary comments, critiques or information that USAID staff would like to share with the evaluation team – USAID's contractor for this evaluation, Management Systems International (MSI), is gathering stakeholder feedback from U.S. contractors and PVOs that have implemented TCB projects for USAID.

The questionnaire is designed to help the evaluation team gather both structured and open-ended responses from USAID staff overseas and in Washington. Closed ended questions in this questionnaire should take no more than 15 minutes to answer. The time needed to answer open-ended questions you elect to answer will depend on the number of them on which you wish to comment and the length of your responses. Part A asks for information on the respondent. Part B asks about the consistency of specific evaluation findings with your own experience and expectations about what the evaluation would find. Part C asks broader questions about what you think the evaluation team may have missed, not considered adequately, misunderstood, or needs to research further.

The questionnaire can be downloaded by the recipient; completed by typing in answers in the spaces provided on the form, and returned by email. Blanks on the questionnaire form will expand to accommodate the length of a respondent's answers. Alternatively, the questionnaire can be printed out, completed by hand and returned by fax or scanned and e-mailed. Completed questionnaires are to be sent to Stephanie Monschein at Management Systems International (MSI) via e-mail (smonschein@msi-inc.com) or by fax (202-488-0754) not later than August 13, 2010. USAID staff is encouraged to send the MSI team any additional information, comments, or critiques the team should consider that go beyond the specific questions asked in this questionnaire. Staff should also feel free to share this preliminary evaluation report with local stakeholders and elicit their comments as warranted. The e-mail address and the deadline for such additional information and commentary is the same as given above, and there is no specific format for additional comments.

Thank you for your participation in this evaluation Stakeholder Consultation process,

Molly Hageboeck

TCB Evaluation Team Leader

Management Systems International (MSI)

Trade Capacity Building (TCB) Evaluation e-Questionnaire

A. Respondent Information

1. Name (first name, last name)

| |
|--|
| |
|--|

2. Number of years with USAID *(Enter an X under the answer that seems most appropriate)*

| | | |
|-------------|---------|--------------|
| Less than 5 | 5 to 10 | More than 10 |
| | | |

3. Personnel Category *(Enter an X under the answer that seems most appropriate)*

| USAID Direct Hire | | USAID Foreign Service | Other |
|----------------------|--------------------|-----------------------|----------------------------|
| FS – Foreign Service | GS – Civil Service | National (FSN) | (Please identify category) |
| | | | |

4. Current Post *(Identify your current mission, regional office or USAID/W office assignment)*

| Current Post | Year Started at this Post |
|--------------|---------------------------|
| | |

5. Title at Current Post

| |
|--|
| |
|--|

6. Previous Posts (going back to 2002 – start of explicit TCB programming)

| Current Post | Year Started at this Post |
|--------------|---------------------------|
| | |
| | |
| | |

Note: Questions on the following pages focus on USAID TCB projects that received funding in 2006 or earlier; some of these projects are still active. In responding to questions, please keep in mind that fact that projects that started in 2007 or after were not examined.

| Final Funding Year for TCB Projects the Evaluation Examined that were Started/Funded in 2006 or Earlier | | | | | | | | |
|---|------|------|------|------|------|------|------|------|
| 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| 7 | 16 | 24 | 40 | 45 | 32 | 29 | 33 | 4 |

B. Phase II Evaluation Findings

1. Based on your experience with USAID’s TCB program, do the findings presented in the Phase II report seem to you to be an accurate representation of the program’s characteristics and results. If not, please explain. *(Type response below, the cell will expand as needed to accommodate your answer.)*

| |
|--|
| |
|--|

2. Were there any specific findings in the Phase II report that surprised you because they were inconsistent with your experience and knowledge of USAID’s TCB program? The checklist below reviews a number of the report’s specific findings. If you have the time, please mark X in the cell that best represents your response on these findings. *(Mark X for the best answer on each finding.)*

| Specific Findings from the Phase II Report on USAID’s Cross-Country Cluster Evaluation of Trade Capacity Building Programs | | How Consistent is this Finding with Your Experience and Knowledge of the USAID TCB Program | | |
|--|--|--|------------------------|-------------------|
| | | Very Consistent | Somewhat Consistent | Not Consistent |
| 1 | 72% of TCB funds for the 256 USAID projects the evaluation examined went towards achieving results under RF 2.1, <i>private sector trade-related practices improved</i> . Fewer projects focused on RF 2.2 (<i>public sector practices</i>) and RF 2.3 (<i>trade facilitation</i>) | | | |
| 2 | 83% of the 256 TCB projects the evaluation examined reported export results. This emphasis on exports was consistent across regions. Much smaller percentages reported on investment and/or import results. | | | |
| 3 | A regression analysis showed that, across a large number of countries, USAID TCB funding is positively and significantly related to exports lagged two years. | | | |
| 4 | TCB funding was not found to be related to country indexes on export concentration/diversification. | | | |
| 5 | Recent economic, business, and trade policy reforms and trade agreements may partially explain why some countries that received high levels of USAID TCB assistance made strong export gains while others did not. | | | |
| 6 | Steadily rising prices for agricultural commodities (2002-2008) may partially explain the export success of TCB projects that focused on agricultural exports. | | | |

| Specific Findings from the Phase II Report on USAID’s Cross-Country Cluster Evaluation of Trade Capacity Building Programs | | How Consistent is this Finding with Your Experience and Knowledge of the USAID TCB Program | | |
|--|--|--|------------------------|-------------------|
| | | Very Consistent | Somewhat Consistent | Not Consistent |
| 7 | Among TCB exports, agricultural exports, agricultural exports dominated in all regions. Manufacturing and service exports, particularly tourism, were found less frequently. | | | |
| 8 | TCB projects sometimes focused on traditional crops (e.g., coffee, cocoa, bananas). | | | |
| 9 | Improvements in business practices (e.g., productivity, technology use, management) are the main way USAID TCB projects fostered improvements in private sector trade-related practices. Efforts to increase private sector knowledge of international market opportunities and requirements were also undertaken, but less frequently. | | | |
| 10 | Projects that aimed to improve public sector trade-related practices were about equally divided between accessions to trade agreements/trade policy reforms and implementing these changes once they were made. | | | |
| 11 | TCB projects focused on WTO accession about twice as often as they did on regional or bilateral agreements. | | | |
| 12 | Most USAID TCB projects with a trade facilitation focus were customs modernization projects. | | | |
| 13 | Very few USAID TCB projects try to improve private trade facilitation services, e.g., transport, logistics, trade finance. | | | |
| 14 | Improvements in ICT to support trade facilitation or e-commerce were a focus in a third of the TCB projects. | | | |
| 15 | Half the USAID TCB projects examined scored high on a simple success scale, i.e., project met/exceeded targets/expectations; another 47% scored as having “made progress, but targets/expectations not fully met” and some of these were projects that were not yet completed; very few scored as having “not met” targets/expectations. | | | |
| 16 | Projects that focused on results in more than one of the RF clusters (i.e., 2.1, 2.2 and 2.3) scored higher than those that focused on only one. | | | |
| 17 | Projects that used multiple modalities (training, studies, TA, equipment) scored higher on the success rating than single modality projects | | | |

| Specific Findings from the Phase II Report on USAID’s Cross-Country Cluster Evaluation of Trade Capacity Building Programs | | How Consistent is this Finding with Your Experience and Knowledge of the USAID TCB Program | | |
|--|---|--|------------------------|-------------------|
| | | Very Consistent | Somewhat Consistent | Not Consistent |
| 18 | Projects that focused on exports from more than one sector (i.e., agriculture, manufacturing, services) scored lower than those with a single sector focus | | | |
| 19 | Only two of roughly 20 design, implementation and contextual factors were found to be statistically related to relatively low success scores, namely (a) a slow or difficult start up and (b) problems with partners/other stakeholders | | | |
| 20 | 99% of the 256 projects examined identified clear intended results and of those 81% identified performance indicators. The percentages were lower for performance targets (36%) and baseline data (16%). | | | |
| 21 | Based on documents located, 17% of USAID TCB projects had been evaluated, i.e., 30 evaluations were found that covered 38 out of 256 projects. | | | |
| 22 | Evaluations of TCB projects depended heavily on interview data. A few involved comparisons of a pre-post nature. None involved comparisons between target group and non-target group entities. | | | |

3. If any of the findings in the checklist above or in other parts of the Phase II report seem to be inconsistent with your experience and knowledge, and thus potentially incorrect, at least for your mission or regional office, please explain the concerns you had about those specific Phase II findings below. You can use the finding numbers in the table above to refer to specific findings if you wish. *(Type response below.)*

C. Issues that Emerged from the Phase II Document Review and Analysis

Phase II findings raised several issues that the evaluation team discussed with USAID implementing partners in three Stakeholder Consultation sessions in Washington. Several of these issues are posed for USAID staff in the questions in this section of the e-questionnaire.

1. Academic papers and international organization reports suggest that countries that have shifted toward manufacturing have made greater advances in trade than those that have not made this shift. Yet in all geographic regions, Phase II study data show that USAID TCB projects in the RF 2.1 cluster (*private sector trade-related practices improved*) invested more heavily in agricultural exports than in manufactured exports. In your experience, what is it about agricultural exports that made them an attractive focus for USAID TCB projects in the field? Or is there any reason why projects might find it difficult to focus on and succeed with manufactured export products? *Please reference any specific projects you discuss in your answer by country and name/ acronym.*

2. Among the agricultural exports on which TCB projects focus, the Phase II report identified a fairly large number that focused on traditional commodities, e.g., coffee, cocoa, bananas. In contrast, the Phase II report noted that USAID’s 2003 TCB Strategy Paper indicated that USAID would use its TCB funds to help countries move away from exports of traditional tropical exports. In your experience, what is it about traditional export crops that made them an attractive focus for TCB projects in the field? *Please reference any specific projects you discuss in your answer by country and name/ acronym.*

3. Phase II identified a fairly large number of RF 2.3 projects that helped governments prepare for accession to the WTO, entrance to the EU, etc. These projects were somewhat similar to each other. Post-accession efforts, in contrast, particularly post-WTO accession projects did not seem to follow a pattern with respect to the WTO provisions they addressed, e.g., SPS, TRIPS, etc. It was suggested that the absence of any pattern was due to the fact that post-accession assistance projects are only mounted when governments want help on specific issues. Is this consistent with your experience? *Please reference any specific projects you discuss in your answer by country and name/ acronym.*

4. Reports on projects that focus on private sector producer/exports and help them improve their ability to export/import sometimes cite problems with transportation, logistics, finance related to their trade transactions, etc. Phase II found that very few of USAID’s TCB projects worked with entities that currently, or potentially could, provide these types of trade facilitation services. In your experience, have USAID TCB projects made serious efforts to improve private sector trade facilitation services that may simply have escaped the evaluation team’s notice? If not, is there some reason why USAID TCB projects do not seem to focus on private sector trade facilitation services? *Please reference any specific projects you discuss in your answer by country and name/ acronym.*

D. Evaluation Approach

1. The evaluation used a Results Framework to structure its examination of the focus and results of USAID TCB projects. Did you find the Results Framework to be an appropriate and useful way of clustering and organizing the evaluation’s information about USAID TCB investments and their results? Is the generic Results Framework used in the evaluation likely to have value for your mission or regional office beyond the evaluation? If so, in what way?

2. Phase II of the evaluation relied heavily for basic information on USAID TCB projects on the reports prepared by USAID contractor/grantees, particularly the quantitative information these reports provided on project outputs and outcomes. The team assumed that figures in these reports had been reviewed by USAID staff and perhaps used in reports from the field to Washington, or been subject to data quality assessments. In your experience, was this evaluation assumption valid or do you have concerns about the validity of kinds of data the evaluation team extracted from project reports?

E. Additional Comments and Feedback to the Evaluation Team

Is there anything else about the TCB program or the Phase II report that you would like us to know? Please tell us below – or if you would prefer that we call you to talk about the evaluation, please tell us the phone number to use to reach you, the country you are currently in, and the best hours to reach you. We would be happy to place a Skype-to-Phone call to your office to speak with you during your office hours, even if you are on the opposite side of the world.

ANNEX C. THE EFFECTS OF USTRADE CAPACITY BUILDING ASSISTANCE ON TRADE-RELATED OUTCOMES, 1999-2008

This annex provides the results of a regression analysis that examined the relationship between USAID and other U.S. government trade capacity building (TCB) obligations and trade outcomes. It was carried out by a team of professors and researchers from the Department of Political Science at the University of Pittsburgh. The regression analysis reported in this annex is the second of its type carried out by this research team for USAID programs. An earlier study on which the models used in this regression built was carried out for USAID's Office of Democracy and Governance in 2006 through a collaborative effort between the University of Pittsburgh and Vanderbilt University. That study is available on line at: http://www.usaid.gov/our_work/democracy_and_governance/publications/pdfs/impact_of_democracy_assistance.pdf

UNIVERSITY OF PITTSBURGH
Department of Political Science

The Effects of US Trade Capacity Building Assistance on Trade-Related Outcomes, 1999-2008

Final Report

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09/2010

Contents

| | |
|--|------------|
| Executive Summary | 253 |
| 1. Introduction: The MSI Results Framework | 255 |
| 2. Data and Measurement | 256 |
| Assistance for Trade Capacity Building..... | 257 |
| Dependent Variables | 259 |
| Control Variables | 263 |
| 3. First Level: Models of General Trade Performance | 264 |
| Statistical Model | 264 |
| Results for Merchandise Exports | 266 |
| Additional Robustness Checks | 269 |
| Other Aggregate International Trade Outcomes..... | 271 |
| Disaggregating USAID TCB..... | 273 |
| Conditional USAID TCB Effects | 275 |
| 4. Second Level: Models of Intermediate Outcomes | 279 |
| Export Promotion | 280 |
| Trade-Related Public Practices | 280 |
| Trade Facilitation | 282 |
| 5. Conclusions | 285 |
| 6. Appendices | 287 |
| Appendix 1: Countries in the Sample..... | 287 |
| Appendix 2: Factor Analysis | 291 |
| 7. Works Cited | 295 |

Executive Summary

This study investigated the impact of US government trade capacity building (TCB) assistance on trade-related outcomes in 148 recipient countries between 2001 and 2008. Dependent variables were identified at two levels. The first level comprised overall trade performance, with indicators on total exports, imports, and trade integration obtained from sources such as the IMF Direction of Trade Statistics and the UNCTAD Handbook. The second level comprised three intermediate outcomes considered as preconditions for improvement at the main level: 1) improvement of business practices among exporters and importers in the private sector (e.g., number of products exported and export concentration); 2) implementation of improved trade-related practices in the public sector (e.g., reduced tariffs and trade protection); and 3) more efficient and cost-effective movement of goods across borders (e.g., time to export, customs burdens, quality of port infrastructure). Indicators of performance for these intermediate outcomes were also obtained in commonly-used databases such as Doing Business and the Logistics Performance Index project.

The main independent variables were the total amount of U.S. Government trade capacity building (TCB) assistance, and the portion of US Government TCB assistance allocated by USAID, as reported in the U.S. government-wide Trade Capacity Building Database. The models all utilized two year lagged values of the US TCB variables in order to capture a presumed lag in program implementation and impact once funds were allocated. We also examined the impact of USAID allocations that were "directly" related to trade capacity building (i.e., those coded by MSI as not likely to have been undertaken in the absence of a trade rationale) as well as USAID allocations targeted towards each of the three intermediate outcomes, based on MSI's association of TCB Database funding codes with those intermediate outcomes. In this way, the study linked *overall* TCB allocations from the US in general, and from USAID in particular, to *overall* trade-related performance, and linked targeted USAID TCB assistance in three different areas with the respective intermediate outcomes that these allocations were intended to improve.

Using "fixed effects" panel regression models that controlled for a series of general economic and structural factors, and for global time trends in trade outcomes, we arrived at the following set of results:

- Total US government TCB assistance, and USAID TCB assistance, each had significant impact on overall trade performance in recipient countries. Using total merchandise exports as the main dependent variable, we found that a 1% increase in total US government TCB assistance was associated with an average increase of .008% in total exports. For a country that received an average amount of USG TCB and which had an average amount of total exports, the impact of every \$1 increase in overall USG TCB was estimated to be a \$53 increase in total merchandise exports two years later.
- A similar model was estimated for specific USAID TCB allocations, controlling for non-USAID TCB allocations and all other variables included earlier. The model confirmed the positive effect of TCB assistance, with a statistically significant impact of .004 for USAID and a significant effect of .003 for non-USAID allocations. This translates, for a country that received an average amount of USAID TCB assistance and which had an average amount of total exports, to a \$42 increase in exports for every additional \$1 of USAID assistance provided.
- We found no evidence that the total trade performance effects were limited to promoting exports to the United States; on the contrary, the impacts were stronger for exports to the rest of the world.
- The positive findings for total exports, however, did not extend to other global indicators of trade performance. We found no significant impact of either total USG TCB allocations or USAID assistance on recipient countries' export share of the world market, export volume, or total imports.
- There was some suggestive evidence that "direct" USAID TCB allocations had a stronger impact than did overall USAID allocations, but this difference was not statistically significant (Table 4). It was the case, however, that the overall impact on total merchandise exports was driven primarily by USAID allocations devoted specifically to export promotion, as opposed to allocations for Trade-Related Public Practices and Trade Facilitation. It should be noted that the majority of USAID

assistance was targeted in the export promotion category; less than one-quarter of all USAID TCB assistance was targeted for Trade-Related Public Practices and Trade Facilitation improvement.

- “Conditional effects” analyses suggested that USG TCB had greater impact among countries with greater need, as indicated in particular by GDP per capita, landlocked status, and more distance from Amsterdam (an agreed-upon “center” of the global economy). Moreover, USG TCB was shown to have stronger effects on countries that were participating more fully in the multilateral Integrated Framework process.
- The impact of USG and USAID TCB assistance on indicators related to the three intermediate trade outcomes in the Results Framework was more difficult to discern, due to data limitations and sometimes poor quality indicators. As a result, these analyses yielded the least robust set of results. There was some suggestion that overall USAID TCB, and specific USAID TCB allocations targeted for export promotion, had significant impact on the number of products a country exported, one key indicator related to this sector. Overall USG and overall USAID TCB allocations were also linked to indicators related to improved public sector practices such as lower tariffs and increased trade freedoms, though specific USAID allocations targeted for Trade-Related Public Practices did not appear to be particularly influential in producing these results. This latter result suggests that the improvements in public sector practices were likely driven by USAID allocations for other sectors, notably those allocated for export promotion. We found no evidence that total USG TCB, USAID TCB, or specific allocations for customs improvements and more efficient movement of goods across borders, had impact on the indicators related to trade outcomes related to this sector. As noted, however, the amount of USAID TCB allocations in this area was relatively small.

1. Introduction: The MSI Results Framework

Our research design is based on the results framework developed by MSI to understand the effects of Trade Capacity Building (TCB) on trade-related outcomes. The framework, summarized in Figure 1, identified a first level of overall trade performance, as well as a second level of performance composed by three intermediate outcomes considered as preconditions for improvements at the main level.

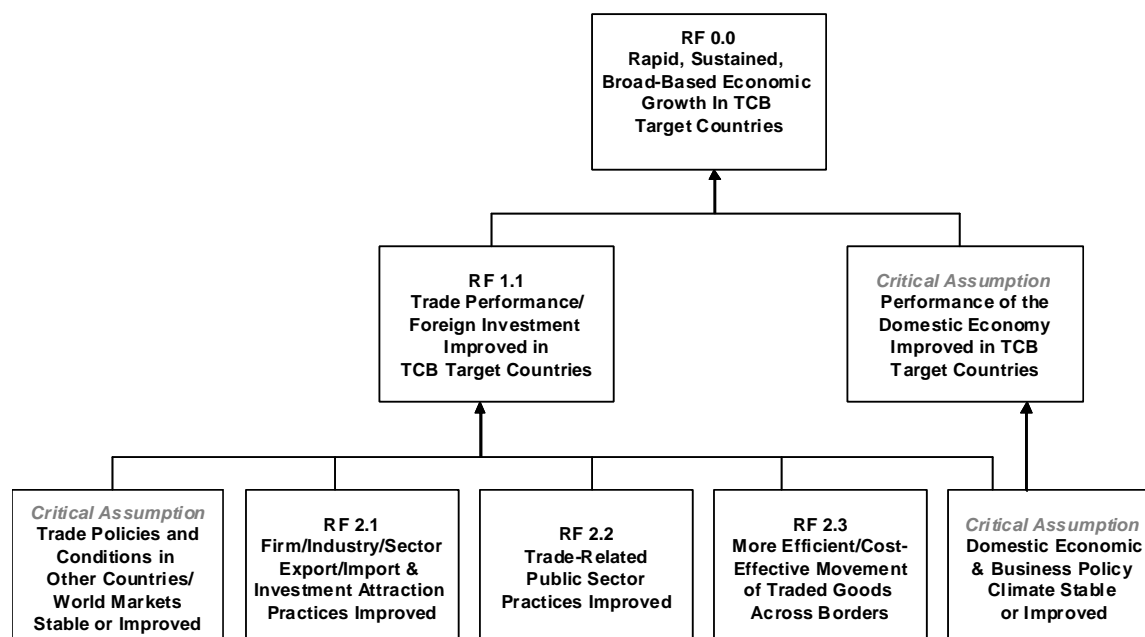
The first level of performance (Level 1.1) refers to general improvements in trade-related outcomes, such as real growth in total trade, an increase in imports, and an expansion of exports to the United States and to the rest of the world. As reflected in Figure 1, performance at this level is assumed to be determined not only by the specific trade environment (reflected by the three factors at the second level) but also by other factors such as macro-economic conditions in each country and trade policies adopted by competitors and potential partners.

The three intermediate outcomes (sometimes discussed in this report as sub-sectoral outcomes), reflected in boxes 2.1, 2.2, and 2.3, are:

1. *The improvement of business practices among exporters and importers in the private sector.* Among those practices are investment in human resources, customer service, product design, extensive participation in the value chain, marketing, the adoption of international standards, and control of the distribution channels.
2. *The implementation of improved trade-related systems and practices in the public sector.* Among those are reductions in trade protection and non-tariff barriers and the adoption and implementation of trade agreements.
3. *A more efficient and cost-effective movement of goods across borders.* For example, this includes a reduction in the number of steps necessary to comply with all administrative procedures required to export or import goods, better logistics, transport costs, and customs infrastructure.

In addition the results framework identifies two other two other sets of variables (trade policies and conditions in other countries, and domestic economic conditions) which were not directly examined by this study. To the extent that was possible, we included indicators of those factors as control variables in our models.

Figure 1. Top Levels in the Results Framework for the TCB Project



Source: Management Systems International

Our quantitative analysis takes the four highlighted performance outcomes (or “boxes”) identified in Figure 1 as four separate dependent variables, constructs indicators for the four types of trade-related performance, and develops statistical models to explain variance in those patterns of performance across countries in a world-wide sample. Our main explanatory variables are: total US investment in Trade Capacity Building (TCB), the portion of US TCB that was allocated by USAID, and the specific portions of USAID TCB that were allocated towards improving each of the intermediate or sub-sectoral outcomes in the Results Framework Figure.

In the next section we discuss the measurement of our main TCB-related independent variables, the dependent variables (general trade performance and the sub-sectoral outcomes), and the control variables in our models. In section three we present the main findings of the study, showing the impact of TCB assistance on overall trade performance. Section four discusses the impact of TCB assistance on the three intermediate outcomes. Section five summarizes the conclusions of the study.

2. Data and Measurement

The population for our study is comprised by 188 countries (we use the term loosely to include autonomous territories) that were eligible for official development assistance or official aid according to the Development Assistance Committee (DAC) of the OECD in 1999, the first year in our dataset. Information on trade flows (exports and imports) was not available for nine countries, so the effective sample was reduced to 179 cases.⁵⁷ The list of countries is presented in Appendix 1, together with the total US TCB funding received by each nation between 1999 and 2008.

⁵⁷ Information was missing for Cayman Islands, Falkland Islands, Gibraltar, Kosovo, Marshall Islands, Northern Mariana Islands, Saint Helena, Tokelau, and the Virgin Islands (UK).

Assistance for Trade Capacity Building

The main source for US TCB assistance has been the US Government *Trade Capacity Building Database* (<http://qesdb.cdie.org/tcb/index.html>). The MSI team conducted further research to disaggregate funding allocated to each country in terms of the specific sub-sectors identified in the results framework (generally labeled as Export Promotion, Trade Policies and Agreements, and Trade Facilitation). Data on TCB funding was collected for each country-year in the sample.

All measures of foreign assistance for trade capacity building (TCB) were converted to constant (2000) US dollars, and then transformed using the natural logarithm of the dollar value.⁵⁸ We make this log transformation for several reasons. First, using logged values instead of unlogged levels helps reduce the influence of outlier observations. Second, paired with a similar transformation of the main dependent variable (total exports in dollars, see below) this log transformation allows for an interpretation of the results in terms of elasticities, or the average percent change in the dependent variable that is produced by a one percent change in the independent variable, thus making it easier to identify the substantive effect of the TCB aid. Third, this transformation follows the convention for the standard “gravity” models employed in research on international trade (e.g., Anderson 1979, Bergstrand 1985). It is also important to note that all measures of Trade Capacity Building were lagged 2 years to control for possible “endogeneity” (e.g., reverse causality) and to allow for longer term effects.

General TCB Measures

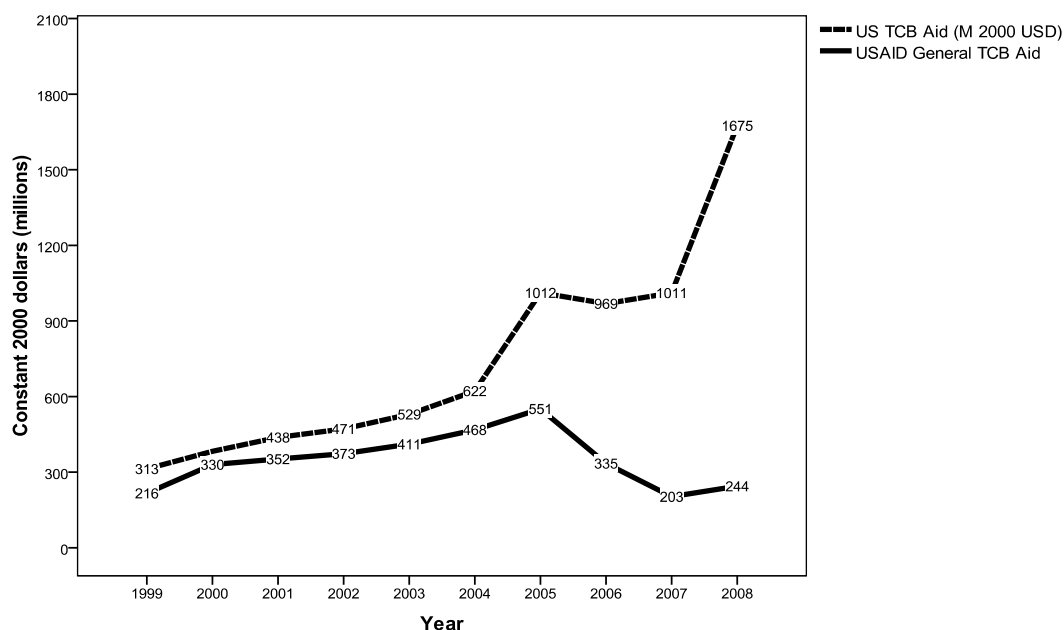
1. Total **United States Government (USG) Trade Capacity Building obligations**. For purposes of this study, trade-related investment is a sum of six sub-categories⁵⁹:
 - Customs Operation and Administration, including assistance to help countries modernize and improve their customs offices.
 - E-commerce Development and Information Technologies (IT), including assistance to help countries acquire and use IT to promote trade by creating business networks and disseminating market information.
 - Export Promotion, including assistance to increase market opportunities for developing country and transition economy producers.
 - Business Services and Training, including support to improve the associations and networks in the business sector, as well as to enhance the skills of business people engaged in trade.
 - Regional Trade Agreements (RTA), including assistance to an RTA or to an individual country that increases the ability of the RTA to facilitate trade. It can also include assistance to a potential member of an RTA that improves the analytical capacity of the country's government with respect to RTA issues.
 - Other Trade Facilitation: support to increase trade flows that is not categorized in one of the other five Trade Facilitation sub-categories.

⁵⁸ The exact transformation formula for all TCB measures was $X_{it} = \ln(1 + TCB_{it})$, where X is the value of the transformed variable for the i -th country at time t , and TCB is the value of assistance for that year in constant 2000 dollars. Thus, if a given country received zero assistance in any given year, $X=0$; if a second country received \$100,000 in aid that year, $X=11.5$; and if a third country received twice as much, \$200,000 in that year, $X=12.2$. The dependent variables measuring exports in dollars (i.e., export value) are transformed in the same way, to allow for a consistent interpretation.

⁵⁹ A complete listing of TCB categories tracked by the U.S. government is available on the TCB Database website: <http://tcb.eads.usaidallnet.gov/about/definitions.html>

- 1.1. Total annual TCB funding by the **United States Agency for International Development (USAID)**. This item represents a subset of the total USG TCB obligations. It is based on the official definition of TCB, as assistance in lowering the costs of engaging in international trade flows.

Figure 2: Total US Government TCB and USAID TCB, 1999-2008



- 1.2. **US Government TCB other than USAID.** This variable is the difference between the first and the second items presented above. Over 20 US agencies participate in TCB projects worldwide. Among them are the Departments of Agriculture, Commerce, and Transportation; the US Customs Service; the Environmental Protection Agency; the Federal Trade Commission; the Export Import Bank; the Millennium Challenge Corporation; and the Trade and Development Agency.
- 1.3. **“Direct” USAID Trade Capacity Building Obligations.** This item is a subset of total USAID obligations. MSI coded TCB Database descriptions of funded activities as being “directly” related to trade when it was unlikely that such activities would have been undertaken in the absence of a trade rationale. TCB Database descriptions of activities that could have been undertaken for more general development purposes, e.g., improve the banking system, were not scored by MSI as being directly trade-related.

Figure 2 reflects total annual investment in trade capacity building by the US Government and by USAID in particular between 1999 and 2008. Total TCB funding has escalated from 313 million in 1999 to 1.7 billion in 2008 (in constant 2000 dollars). Until 2005, USAID programs represented a vast majority of the TCB funding allocated by the US Government. But the creation of the Millennium Challenge Account (MCA) in 2004 created a widening gap between the series for USAID TCB and total US Government TCB. Given the nature of the MCA, in most recent years it is difficult to determine what percentage of the total USG TCB funding has been actually disbursed. Because we employ a two-year lag for the main independent variables in this study (and thus, for instance, exports in 2008 are modeled as a function of TCB allocated in 2006) this potential problem is restricted in our study only to 2005 (explaining outcomes for 2007) and 2006 (outcomes for 2008).

Specific Sub-Sectoral Measures

MSI also disaggregated the “Direct” USAID Trade Capacity Building Obligations into three sub-sectoral measures directly related to the intermediate outcomes identified in the results framework. As in the case of other TCB measures, all sub-sectoral measures of TCB were lagged 2 years to control for possible “endogeneity” and to allow for longer term effects of TCB assistance on intended outcomes.

1. **USAID Assistance for Export Promotion.** This item represents the portion of AIDTCB2 that the MSI team identified as directed towards Export Promotion; Business Services & Training; Trade-Related Agricultural Development; Environmental Trade & Standards; Tourism Sector Development, E-Commerce, and Other Services Development. This funding was expected to contribute to **Box 2.1** in the results framework (see Figure 1).
2. **USAID Assistance for Improved Trade-Related Public Practices.** This item reflects the portion of USAID TCB funding that the MSI team identified as directed towards promoting more effective trade policies and practices in countries, as well as promoting participation in the WTO (awareness and accession), regional trade agreements, and US FTAs. This funding was expected to contribute to **Box 2.2** in the results framework.
3. **USAID Assistance for Trade Facilitation.** This item represents the portion of AIDTCB2 funding that MSI associated with Customs Operation & Administration; and Other Trade Facilitation, and Physical Infrastructure. This funding was expected to contribute to **Box 2.3** in the results framework.

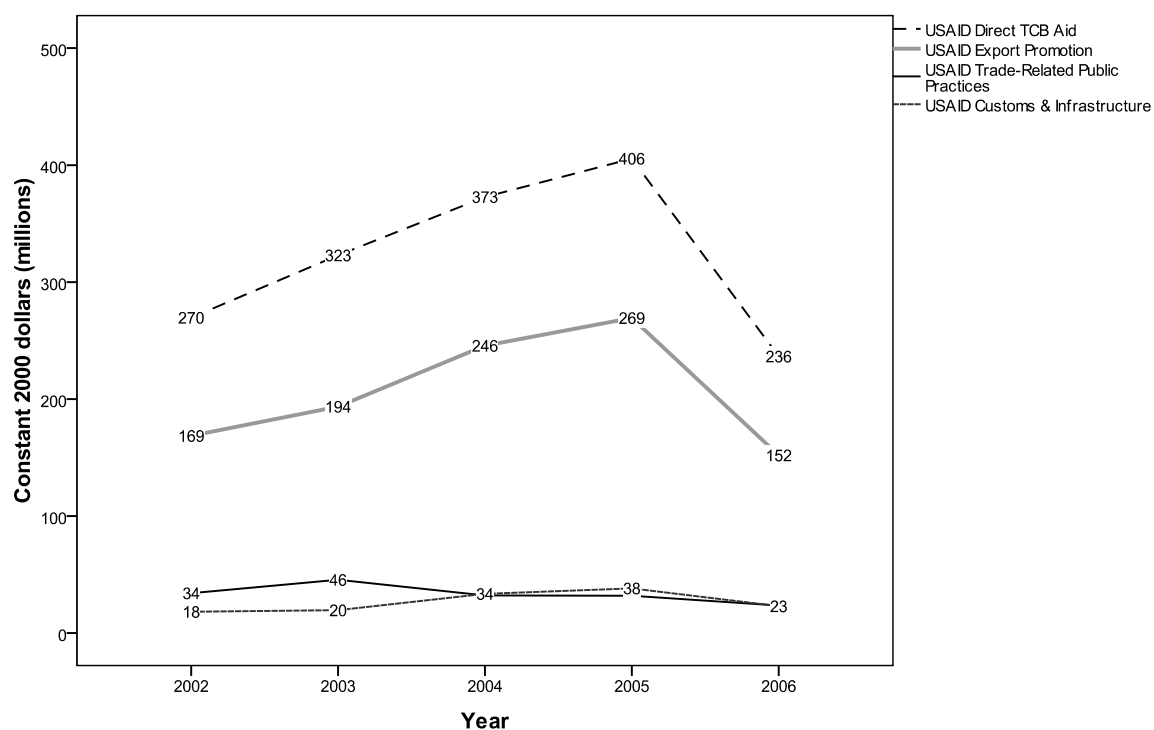
Figure 3 summarizes the total TCB funding allocated yearly to the different sub-sectors. The series indicate that a majority of the funding coded as “direct” TCB assistance corresponds to programs directed towards export promotion, trade-related agricultural development, business services and training, environmental trade and standards, tourism development, and services development (generally labeled “Export Promotion” in the figure). It is important to note that in relative terms, the other two sub-sectors (promotion of Trade-Related Public Practices and Trade Facilitation) are small. Note also that this information is available only since 2002, which (given the lagged structure of the independent variables) allows for statistical models explaining outcomes beginning in 2004, as opposed to beginning in 2001 for the overall trade performance models.

Dependent Variables

Category 1.1: Trade Performance in TCB Target Countries

The main sources for the Trade Performance in TCB Target Countries are the International Monetary Fund’s *Direction of Trade Statistics* (<http://www.imfstatistics.org/dot/>), the *United Nations Conference on Trade and Development* (<http://www.unctad.org>), and the *United Nations Commodity Trade Statistics Database* (<http://comtrade.un.org/>). The value of exports and imports in TCB target countries was converted to

Figure 3: Total “Direct” USAID TCB Programs, by Sub-Sector, 2002-2006



constant (2000) US dollars using the deflator for US dollar amounts available from the Department of Commerce, Bureau of Economic Analysis. These constant values were then transformed to the natural logarithm of the dollar value. As noted above, this transformation follows the convention for the standard gravity models employed in research on international trade and, paired with a similar transformation of the independent variables, also allows for an interpretation of the results in terms of elasticities or impacts on percentage change.

1. **Total Merchandise Exports:** This entry provides the total US dollar amount of merchandise exports on an f.o.b. (free on board) basis. These figures are calculated on an exchange rate basis, i.e., not in purchasing power parity (PPP) terms. Series from the IMF were available for 2001-08.
2. **Total Exports to the United States:** Total exports from each country to the United States. This series was collected from the IMF, using the exports reported by each country to the United States.
3. **Total Merchandise Imports:** This entry provides the total US dollar amount of merchandise imports on a c.i.f. (cost, insurance, and freight) or f.o.b. (free on board) basis. These figures are calculated on an exchange rate basis, i.e., not in purchasing power parity (PPP) terms. Information was collected from the IMF.

The dataset also contains series from UNCTAD for 2001-07, and series from Comtrade for 2001-08 (the latter, however, reported 2008 data for fewer countries at the time of this study). We consider the export data from these two sources to be of lower quality than the IMF data, and so all of our statistical models will use the higher quality IMF trade data. Indeed, this understanding about data quality also explains why we do not report results where extractive exports have been subtracted from total merchandise exports. The IMF does not report data on extractive exports, although this information is available from Comtrade. Thus,

estimating a model of exports minus extractives would force us to either use a low quality trade dataset (i.e. Comtrade) or to combine export measures from two different data sources (i.e. subtract extractives reported by Comtrade from total exports reported by the IMF). Either choice would be problematic, providing less confidence in the statistical results using such a dependent variable.

Figure 4: Exports for the Average Country, by Source, 1999-2008

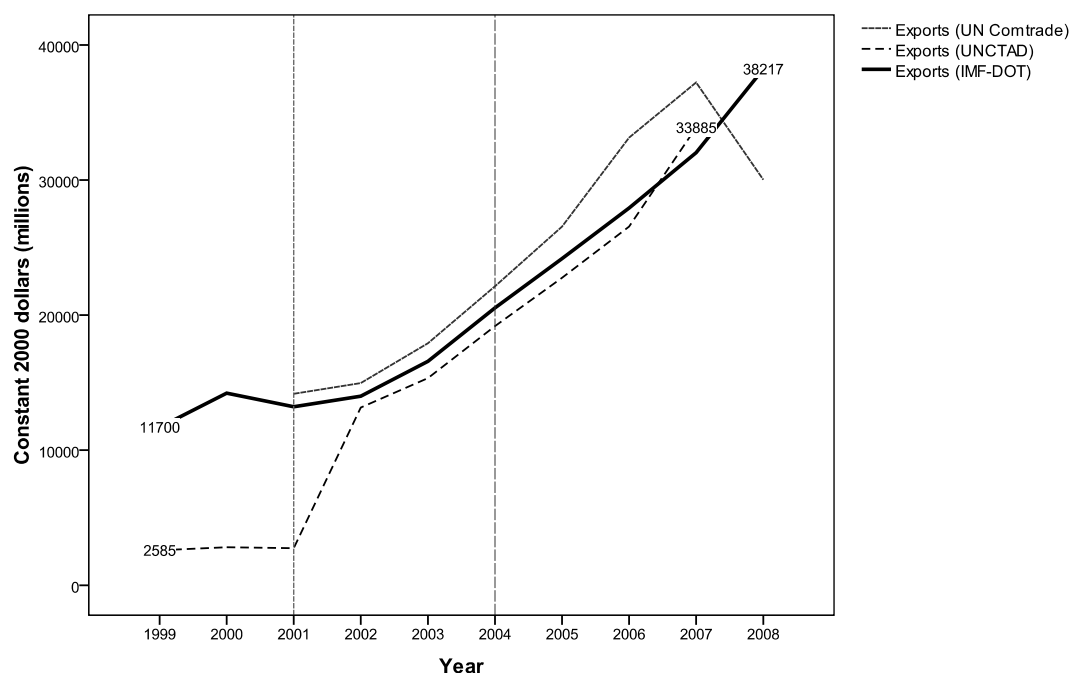


Figure 4 traces the evolution of exports for the average country in our sample between 1999 and 2008. According to the IMF Direction of Trade Statistics (our main source), the average country expanded exports from approximately 12 billion dollars in 1999 to 38 billion in 2008. In the figure we compare this information with equivalent series calculated from alternative sources, Comtrade and UNCTAD. Other sources indicate a similar trend in global trade, although the series generated by IMF-DOT are more consistent and stable. The vertical lines in Figure 4 illustrate the effect of lagging the TCB predictors two years. When TCB data is available since 1999 (for total USG and total USAID TCB), our models explain exports (or other trade outcomes) starting in 2001. When TCB data starts in 2002 (for specific sub-sectors), the models cover outcomes since 2004.

Alternative Measures of Overall Performance

The *United Nations Conference on Trade and Development* (<http://www.unctad.org>) and the World Bank *World Trade Indicators* (<http://info.worldbank.org>) databases are the two main sources for the alternative measures of overall performance. The alternative measures of overall performance like that measures of trade performance in TCB target countries were converted to constant (2000) US dollars, and then transformed using the natural logarithm of the dollar value.

1. **Service Exports:** represents the UNCTAD secretariat calculations based on IMF Balance of Payments Statistics on CD-ROM and other international and national sources. Services are defined as the economic output of intangible commodities that may be produced, transferred and consumed at the same time. Services cover a heterogeneous range of activities that are difficult to capture within a single definition. They typically include changes in the condition of

the consumers realized through the activities of the producers at the demand of customers. Ownership rights over services cannot be established. By the time production of a service is completed, it must have been provided to a consumer. Services figures comprise 11 principal services categories according to the concepts and definitions of the IMF Balance of Payments Manual (1993). The categories are transport; travel; communications; construction; insurance; financial services; computer and information services; royalties and license fees; other business services; personal, cultural and recreational services; and government services. The balance-of-payments figures presented here may be somewhat downward-biased as compared with the actual flows of exports and imports of services.

2. **Export Share of World Market:** reflects the export trade market share of a country, expressed a percentage of total world trade.
3. **Export Volume:** is an index computed by UNCTAD secretariat. The volume index is the percentage ratio of the export value index to the corresponding unit value index.

Specific Sub-Sectoral Measures

2.1: Private Sector Export and Import Practices Improved

Number of Products Exported. This indicator reflects the natural log of the number of products exported, calculated at the 3-digit SITC, Revision 2 level. The total number of products reported by the World Bank's World Trade Indicators includes only products whose value exceeds \$100,000 or .3 percent of the country's total exports.

Export Concentration Index. This indicator, reported by UNCTAD, measures the degree of market concentration given the number of products exported and the total value for each SITC category. The formula, based on the Hirschman-Herfindahl index, produces values between 0 (maximum dispersion) and 1 (maximum concentration).

Private Business Practices Factor. Using factor analysis, we aggregated information from the Global Competitiveness Report to create a scale of competitive business practices. The index summarizes information on the extent of staff training, customer orientation, the nature of competitive advantage, value chain breadth, control of international distribution, production process sophistication, extent of marketing, and firm-level technology absorption. For technical details of the factor analysis, see Appendix 2.

2.2: Improved Trade-Related Public Practices

Applied Tariff Simple Average. This indicator reported by the World Trade Indicators reflects the simple average of the applied tariff rates (including preferential rates) available at HS 6-digit product level in a country's customs schedule.

Applied Tariff Weighted Average. Reflects the trade-weighted average of the applied tariff rates including preferential rates that a country applies to its trading partners available at HS 6-digit product level in a country's customs schedule.

Share of Duty Free Lines in Tariff Schedule. This indicator, reported by the World Bank, reflects the total share of lines in the country's tariff schedule that are duty free (it is expressed as a percentage of total lines).

Trade Freedom Index. This index, developed by the Heritage Foundation, is a composite measure reflecting the absence of tariff and non-tariff barriers that affect imports and exports of goods and services. The trade freedom score is based on the trade-weighted average tariff rate and on non-tariff barriers. The index ranges from 0 to 100 (<http://www.heritage.org/Index/>).

Trade Protection Factor. We used factor analysis to create a composite index summarizing information on tariffs, based on the Trade Freedom Index, the Tariff Trade Restrictiveness Index (MFN applied tariff-All Goods; applied tariff+NTMs); the MFN applied tariffs (simple and weighted averages), the applied tariffs (simple and weighted averages). See Appendix 2 for technical details on factor analysis.

2.3: More Efficient and Cost Effective Movement of Traded Goods Across-Borders

Doing Business Factor. Using factor analysis, we aggregated information generated by Doing Business on time to export, time to import, the number of documents required to export goods, and the number of documents required to import goods.

LPI Factor. We aggregated information from several items in the Logistics Performance Index using factor analysis. The scores summarized information on perceived timeliness of shipments; perceived logistics competence; perceived trackability of shipments; perceived efficiency of customs and other border procedures; quality of transport and IT; perceived quality of transport and its infrastructures; perceptions of international transport costs; and perceptions of domestic transport costs.

Customs Index Factor. This aggregate index is based on information provided by the Global Competitiveness Report. We employed factor analysis to aggregate information on the burden of customs procedures; irregular payments in export & imports; quality of port infrastructure; quality of air transport; and the liner shipping connectivity index (LSCI). See Appendix 2 for information on the construction of this index.

Control Variables

The last set of variables comprises controls for domestic economic and geographic factors. The domestic economic measures were converted to constant (2000) US dollars, and then transformed using the natural logarithm of the dollar value. This transformation follows the convention for the standard gravity models employed in research on international trade outlined in previous pages.

1. **GDP:** GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used (WB- World Development Indicators (WDI) Database). (Natural log).
2. **GDP growth.** The annual percentage growth rate of GDP at market prices based on constant local currency.
3. **GNI per capita:** GNI per capita is the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income generated abroad (WB- World Development Indicators (WDI) Database). (Natural log).
4. **Population :** this measure is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin. The values shown are midyear estimates (WDI Database). (Natural log).

5. **Year trend:** In order to capture temporal trends in the series, we included a year count variable (year 2001=0).
6. **Total annual TCB assistance allocated by bilateral (and some multilateral) donors in the Organization of Economic Co-operation and Development (OECD).** Information, available only after 2001, was collected from the World Trade Organization's *Doha Development Agenda – Trade Capacity Building Database* (<http://tcbdb.wto.org/>).
7. **Country-specific variables.** These factors represent country specific time-invariant or fixed characteristics. They were omitted in fixed-effects models including indicator or “dummy variables” for each country (because the country indicators subsume these time-invariant characteristics).
 - a. **Landlocked:** show which countries are landlocked (Rose, 2004).
 - b. **Island:** depicts island countries (Rose, 2004).
 - c. **Surface Area in km² :** country's total area, excluding area under inland water bodies, national claims to continental shelf, and exclusive economic zones. In most cases the definition of inland water bodies includes major rivers and lakes (WB- World Development Indicators (WDI) Database). (Natural log).
 - d. **Distance from Amsterdam (ln_d_ROW):** intended to capture this distance of the country from the main world markets, this item represents the natural log of distance from Amsterdam, measure in kilometers (Gleditsch, <http://privatewww.essex.ac.uk/~ksg/data-5.html>).
8. **Mediating factors.** In some models we have explored the role of two additional conditions that potentially mediate the effects of TCB assistance. These factors are:
 - a. **Potential Demand for Aid for Trade:** This country-level indicator was created by Elisa Gamberoni and Richard Newfarmer (2008). The scores reflect the country's trade performance and its capacity to trade. Values closer to 1 indicate better conditions (less demand) and values closer to 5, worse conditions (more demand). Countries with higher values present low or negative growth rates of exports, shrinking shares of the global market, deteriorating competitiveness, concentrated sales, lack of diversification, poor infrastructure, poor customs, high tariff peaks, and poor trade policy.
 - b. **Integrated Framework.** An ordinal, eight-point scale reflects the degree to which countries have participated in the Integrated Framework Process (<http://www.integratedframework.org/index.html>). We recoded this variable into a trichotomous scale: a score of 0 indicates that the country is non-eligible; 1 indicates that the process has been initiated (up to the point in which a technical review has been completed), and 2 indicates that the main missions and national validation workshops have been completed or that the DTIS has been completed.

3. First Level: Models of General Trade Performance

Statistical Model

We begin our statistical analyses of general trade performance with a focus on *export levels*, based on the understanding that an important objective of aid for trade, including the U.S. government's trade capacity building (TCB) aid, was to increase the export performance of recipient countries. It is important to state clearly that increased exports are only an intermediate policy goal. The ultimate policy goal is to increase

economic growth and reduce poverty based on research showing that trade has positive effects towards these ends (e.g. Frankel and Romer 1999). But economic growth and reduced poverty are longer term goals and, in this report, our empirical focus centers on the shorter term goal of general trade performance. Thus, the dependent variable in our base statistical model is country/year's total merchandise exports, measured in constant U.S. dollars. Our primary independent variables are the amount of trade capacity building assistance received by the country/year unit from the U.S. government, also measured in constant dollars, and the amount of trade capacity building assistance specifically allocated by USAID.⁶⁰

More specifically, we use the logged value of both exports and TCB aid to produce a log-linear statistical specification. Our use of logged values offers three primary advantages. First, using logged values instead of unlogged levels helps reduce the influence of outlier observations. Second, the log-linear specification will allow us to interpret coefficients as representing the percentage change in the dependent variable produced by a percentage change in the independent variable, making it easier to identify the substantive effect of the TCB aid. Third, logged values are the standard specification in gravity models of international trade with bilateral exports or imports as the dependent variable.

It is also important to note that we will lag the logged measure of TCB aid by two periods, or two years. We use this lag for two different reasons. First, the lag is consistent with an expected delay in implementation after appropriation. In other words, it should take some time before TCB aid, once appropriated in Washington, gets implemented (effectively or not) in the recipient country. Second, the two year lag helps to reduce the potential for endogeneity bias as a country's appropriation of U.S. TCB aid may be influenced by its current or past export level, although it is unclear whether this bias should manifest itself in a positive or negative direction.⁶¹ In terms of using a two-year lag, it is worth noting that while there is not much quantitative analysis concerning TCB aid effects, two other papers on the subject (Brazys 2007; Cali and Velde 2008) also use a two-year on TCB aid as an independent variable, presumably for much the same reasons as we do here.

While we use the country/year unit of analysis instead of the country pair/year unit, we nonetheless are able to control for all the factors that are used in the standard gravity model specification. In this regard, one can think of each country/year observation as having the rest of the world as its aggregate trading partner. The logic underlying the gravity model suggests that we need to control for the size of the recipient country and also for the size of the rest of the world. In terms of the first factor (i.e. the size of the recipient country/year), we use a logged value of its GDP and of its population. These two control variables also proxy, respectively, the total capital and labor stock in the recipient's national economy based on the understanding that such factor endowments may explain not only what products a country can export successfully in a competitive world market, but also how much it can export.

To control for the size of the rest of the world, which is different for each country in our statistical sample, we begin with a set of country fixed effects, or N-1 country "dummy variables." Since we also expect growth in the size of the rest of the world to occur over time, we approximate these increases in world demand for the recipient country's exports using a time trend independent variable. And, to the extent that there is also variation relative to the rest of world based on economic growth within the recipient country, we include the country/year's economic growth rate. This variable will also pick up any changes in its export

⁶⁰ Our models take the country/year as the unit of analysis. An alternative unit of analysis would be the country pair/year, which is the standard unit of analysis for gravity models of international trade. We view the country/year unit as preferable for our analysis, since annual US TCB is allocated in order to promote the recipient country's exports to *all* trade partners. Thus a global export measure for a given country in a given year corresponds exactly to the "output" that is designed to be affected by the US TCB "input".

⁶¹ Endogeneity would bias the USG TCB coefficient in a positive direction if the U.S. government provided more TCB to countries with a higher export level. To the extent that the U.S. government has provided more TCB aid to countries that have problems exporting, then endogeneity would bias the USG TCB coefficient in a negative direction, potentially cancelling out any positive effects running from USG TCB towards exports.

performance that stem from an improvement in domestic economic conditions, rather than from external TCB aid.

The standard gravity model framework also controls for a set of time-invariant regressors, which include the country's distance from some trade partner, whether or not it is landlocked, whether or not it is an island, and its land area (which may proxy the country's export potential based on its *land* endowments following a three-factor model with land, labor and capital). Since we include country fixed effects for the reasons described above, all of these time-invariant regressors will drop from our model since they offer no unique variation next to the country fixed effects.⁶² Privileging the country fixed effects over the set of time-invariant regressors offers an important advantage in that they control not only for the identified time-invariant factors (e.g. distance, landlocked, island, and land area), they also control for any potentially omitted factors that also vary by country. Omitted variable bias would thus be a more serious problem had we privileged the time-invariant regressors over the country fixed effects.

Finally, we estimate the statistical model just described with a correction for first-order autocorrelation in the residuals or the error term for each unit.⁶³ This specification models the idiosyncratic error term at one point in time for a given unit as a function of the previous year's idiosyncratic error, thus capturing the extent to which transient unobserved factors affecting trade performance for a country at one point persist in affecting performance at the next point in time. Such a specification costs one observation per country time-series (since the first time point lacks a "lagged" error term), but improves the efficiency of the resultant estimates and captures some of the temporal dependence of the outcome variable over time that is *unrelated* to the primary independent variables of interest.⁶⁴ Given this correction and the two-year lag on the TCB aid variable, our model tests the effects of US TCB (and USAID TCB) on overall trade performance in 148 lesser developed countries between 2002 and 08.⁶⁵

Results for Merchandise Exports

Having described our statistical model, we now present and discuss the results. Our first model focuses on the effect of TCB aid from the United States Agency for International Development (USAID TCB) while controlling for TCB aid from other U.S. government sources (Other USG TCB). As shown in Table 1, model 1, both aid coefficients are positively signed and statistically significant with at least 90 percent confidence. We interpret these results as being broadly consistent with the proposition of TCB aid effectiveness, at least in terms of increasing recipient country exports.

⁶² In effect, these country dummy variables allow each country in our sample to have its own intercept, thus controlling for unobserved differences among this set of countries.

⁶³ Autocorrelation is a problem often found in time-series regression where the estimated error for one observation is correlated with the estimated error for the next observation in the temporal sequence. Such correlations would violate an important assumption for the Ordinary Least Squares estimator: that the errors are independent, or uncorrelated with each other, and statistical models then need to correct for this potential problem.

⁶⁴ A test for the presence of autocorrelated disturbances in our base model of Table 1, following Drukker (2003), decisively rejected the null hypothesis of "no autocorrelation" ($F(1, 147) = 36.1, p < .001$).

⁶⁵ That is, the two year lag has USG TCB allocations between 1999 and 2006 affecting trade performance between 2001 and 2008, but the autocorrelated disturbance term eliminates outcomes from 2001 from consideration.

Table 1: Models of General Trade Performance (Exports)

| Model: | 1 | 2 | 3 | 4 |
|---|------------------------------------|------------------------------------|---|---------------------------------------|
| Dependent Variable: | Total Merchandise Exports (logged) | Total Merchandise Exports (logged) | Exports to the Rest of the World (logged) | Exports to the United States (logged) |
| USAID TCB (logged and lagged 2 years) | 0.004* (0.002) | | | |
| Other USG TCB (logged and lagged 2 years) | 0.003* (0.002) | | | |
| USG TCB (logged and lagged 2 years) | | 0.008*** (0.002) | 0.009*** (0.002) | -0.022* (0.013) |
| Gross Domestic Product (logged) | 0.105* (0.060) | 0.100* (0.060) | 0.110** (0.053) | 0.435 (0.295) |
| Population (logged) | -0.667 (0.771) | -0.601 (0.762) | -0.926 (0.639) | 3.026 (3.220) |
| GDP Growth Rate | 0.005*** (0.002) | 0.006*** (0.002) | 0.006*** (0.002) | 0.010 (0.010) |
| Year trend (2001=0) | 0.175*** (0.016) | 0.174*** (0.016) | 0.182*** (0.013) | 0.057 (0.068) |
| Number of observations | 1,030 | 1,030 | 1,030 | 1,030 |
| R ² Within | 0.35 | 0.36 | 0.46 | 0.03 |
| R ² Between | 0.30 | 0.30 | 0.33 | 0.34 |

Cell entries are regression coefficients from a fixed effects model with AR(1) disturbance, standard errors in parentheses. Country dummy variables are not reported for space considerations.

Statistical significance: *** p<.01, ** p<.05, and * p <.10.

It is also important to assess the substantive significance of the USAID TCB coefficient, which is estimated to be 0.004. Our log-linear specification means that a 1 percent increase in USAID TCB results, *on average*, in a 0.004 percent increase in recipient merchandise exports two years later. Of course, a given .004 percent change in exports for a given 1% change in USAID TCB will translate into different raw dollar amounts of exports, depending on how much TCB is allocated to the country and what its general level of exports are. But we offer the following illustrative example of the substantive effects of USAID TCB assistance for the “average” country in our sample. The mean country-year value for USAID TCB, among *all* country-years in our sample, was about \$2.3 million, meaning that a 1 percent increase in USAID TCB aid from USAID would be about \$23,000. The mean country-year value for total merchandise exports, among *all* observations in our sample, was about \$24 billion, meaning that a 0.004 percent increase amounts to about

\$976,000. Thus, a \$1 increase in USAID TCB, for a country receiving an average amount of USAID TCB and with average overall exports, is associated with a \$42 increase in total merchandise exports two years later.⁶⁶

It is possible that we are *underestimating* the coefficient of overall US TCB assistance by dividing its signal into two parallel measures: USAID TCB and Other USG TCB. Thus in Table 1, model 2, we combine them into a single independent variable, which measures total US government TCB aid (USG TCB). The results show the USG TCB coefficient to be positively signed and statistically significant with at least 99 percent confidence. Given its larger coefficient (0.008), it is useful to again interpret its substantive significance with an illustrative example. Our log-linear specification means that a 1 percent increase in total U.S. government TCB aid is associated with, *on average*, a 0.008 percent increase in merchandise exports two years later. The mean country-year value for USG TCB, among *all* country/years in our sample, was about \$3.7 million, meaning that a 1 percent increase in total U.S. government TCB aid would amount to about \$37,000. The mean country-year value for total merchandise exports for all observations in our sample was about \$24 billion, meaning that a 0.008% increase amounts to about \$1,952,000. Thus, a \$1 increase in USG TCB, for a country receiving an average amount of USG TCB and with average overall exports, is associated with a \$53 increase in total merchandise exports two years later.⁶⁷

Is this substantive effect a large or small one? In response to this question, we note the results from a recent World Bank report by Helble, Mann, and Wilson (2009). These authors found that a \$1 increase in total OECD TCB can be associated with a \$5 increase in additional trade. While one must be very cautious in directly comparing the results of two studies that use a different statistical model with a different unit of analysis (as discussed earlier), such a comparison would seem to suggest that US TCB aid allocations have been several times more effective in increasing recipient trade than have been average OECD TCB allocations.

Helble *et al.* (2009) also report that a “narrow” measure of OECD TCB aid is associated with a \$697 increase in additional trade. This finding would seem to suggest that the substantive effect of US TCB aid has been small compared to “narrow” OECD TCB aid. However, we view their finding as inconclusive, as the model they used to estimate the effect of “narrow” TCB aid did not also include a variable to measure the effect of “broad” TCB aid. Thus, we suspect that the coefficient for the narrow measure of OECD TCB aid is picking up the impact of all forms of OECD TCB aid, both narrow and broad, with the true effect of the “narrow” measure likely being substantially smaller. Moreover, if the OECD effects are being generated in part by “broader” (and larger) quantities of TCB assistance, then the estimated amount of exports generated by a given dollar of assistance would also no doubt be smaller than what was reported.

We can also compare our results to those reported in another recent analysis of US TCB assistance. Brazys (2007) distinguished between two primary export destinations of recipient countries: 1) their exports to the U.S. market and 2) their exports to the rest of the world excluding the United States. His statistical results showed that U.S. TCB aid was only associated with an increase in recipient exports to the U.S. market and had no statistically significant effect in terms of recipient exports to the rest of the world. Brazys thus

⁶⁶ The substantive effect of the USAID TCB coefficient is smaller if the calculations are limited to those country-year observations where some USAID TCB assistance was received. The mean country-year value for USAID TCB, among countries that received it, was about \$5 million, meaning that a 1 percent increase in TCB aid from USAID would amount to about \$50,000. The mean country-year value for total merchandise exports, among USAID TCB aid recipients, was about \$19 billion, meaning that a 0.004 percent increase amounts to about \$764,000. Thus, a \$1 increase in USAID TCB would be associated with a \$15 increase in total merchandise exports two years later.

⁶⁷ As above, the substantive effect of the USG TCB coefficient becomes smaller if we calculate its effect using only the country-year observations that received USG TCB. The mean country-year value for USG TCB, among the countries that received it, was about \$6 million, meaning that a 1 percent increase in TCB aid from USAID would amount to about \$60,000. The mean country-year value for total merchandise exports, among USAID TCB aid recipients, was about \$28 billion, meaning that a 0.008% increase amounts to about \$2,224,000. Thus, a \$1 increase in USG TCB would only be associated with a \$37 increase in total merchandise exports two years later.

concluded, by reverse causality logic, that US TCB aid has been driven by donor interest and not by recipient need.

But as also shown in Table 1, we obtain a very different set of results from those reported by Brazys. We find that USG TCB has been associated with a statistically significant increase in merchandise exports to the rest of the world (model 3), but not with an increase in exports to the U.S. market in isolation (model 4). Indeed, the weakly significant negative coefficient for USG TCB in model 4 would indicate a decrease in exports to the U.S. market, although this coefficient becomes statistically *insignificant* when we re-estimate the model without the correction for first order autocorrelation. We think that there is a relatively simple explanation for this set of results, consistent with the signal-strength logic offered earlier: most of the exports for any country/year observation go to non-U.S. markets, or to the rest of the world excluding the United States. This means that there is a much stronger signal associated with the dependent variable in model 3 compared to the one in model 4. Based on this logic, one should expect to find a stronger USG TCB effect in model 3 than in model 4.

Additional Robustness Checks

Having considered the robustness of our main result (model 1 in Table 1) to changes in both the primary independent variable (model 2 in Table 1) and the dependent variable (models 3 and 4 in Table 1), we now consider the robustness of our results to changes in the model specification and to alternative statistical estimators. We focus here on models using total U.S. TCB aid.

In Table 2, we begin by adding another independent variable: Other OECD TCB. Considering the TCB aid effect from non-U.S. sources forces us to use data from the World Trade Organization's Trade Capacity Building Database. This does not include TCB aid in certain major categories and has more limited temporal coverage, covering years 2001-2006 in our study (though losing 2001 for the autocorrelation correction as before). Using this smaller sample, (N=638), we add Other OECD TCB (logged and lagged two years) to our model and estimate its effect next to USG TCB. Even with the smaller sample, USG TCB returns a statistically significant positive coefficient (0.009) in Table 2, model 1. However, the coefficient for Other OECD TCB is statistically indistinguishable from zero. We hasten to add that it does not necessarily mean that TCB aid from all non-U.S. sources has been ineffective. Indeed, we strongly suspect that the statistical insignificance of Other OECD TCB is driven at least in part by poor data quality. As the WTO's TCB database does not count certain categories of aid as TCB aid, the signal from a variable using this data source should be relatively weak, raising the likelihood of a statistically insignificant result.⁶⁸ Given the fact that this variable adds no explanatory power to our model, while reducing the size of our statistical sample, we do not include Other OECD TCB in any other statistical models.

⁶⁸ In fact, if we were to use the measure of U.S. government TCB aid taken from the WTO TCB database, its positive coefficient would be statistically insignificant at conventional levels.

Table 2: Robustness Checks for Models of Trade Performance (Exports)

| Model: | 1 | 2 | 3 | 4 |
|--|---------------------------------------|------------------------------------|---------------------------------------|---------------------|
| Dependent Variable: | Total Merchandise Exports (logged) | | | |
| Method of Estimation: | Fixed Effects with AR(1) Disturbances | OLS with lagged dependent variable | Fixed Effects with AR(1) Disturbances | Difference GMM |
| Lagged Dependent Variable | | 0.523*** (0.060) | | -0.063 (-0.064) |
| USG TCB (logged and lagged 2 years) | 0.009*** (0.003) | 0.011*** (0.003) | | 0.011*** (0.003) |
| USG TCB (logged but with no lag) | | | -0.001 (0.002) | |
| Other OECD TCB (logged and lagged 2 years) | 0.001 (0.006) | | | |
| Gross Domestic Product (logged) | -0.133 (0.098) | 0.106 (0.080) | 0.238*** (0.050) | 0.184 (0.115) |
| Population (logged) | -2.745** (1.195) | 0.123 (0.412) | -0.506 (0.538) | -0.285 (0.641) |
| GDP Growth Rate | 0.003 (0.003) | 0.006** (0.003) | 0.005*** (0.002) | 0.005*** (0.002) |
| Year trend (2001=0) | 0.212*** (0.024) | 0.067*** (0.015) | 0.129*** (0.011) | 0.135*** (0.018) |
| Number of observations | 638 | 1,180 | 1,329 | 1,030 |
| R2 Within | 0.27 | 0.72 | 0.35 | |
| R2 Between | 0.44 | 0.97 | 0.07 | |

Country dummy variables are not reported for space considerations.

Statistical significance: *** $p < .01$, ** $p < .05$, and * $p < .10$.

We explained earlier that our models include a statistical correction for first-order autocorrelation that costs us one observation per country time-series. We could also have used a lagged dependent variable as an additional regressor to deal with first-order autocorrelation, although a lagged dependent variable may create bias when it is included next to country fixed effects, leading us to favor the AR(1) correction.⁶⁹

⁶⁹ On the bias created when a lagged dependent variable is included next to unit fixed effects, see Nickell (1981).

Nonetheless, it is possible to estimate the same model with a lagged dependent variable and without the AR(1) correction. These results (Table 2, model 2) offer a somewhat larger statistical sample (N=1,180) and a somewhat stronger USG TCB coefficient (0.011).⁷⁰ We offer these results to show that the statistically significant positive effect for U.S. government TCB aid is not being driven by the AR(1) correction; if anything, this correction tends to weaken the result.

It is also possible that, even with a two-year lag on our TCB aid variable, its coefficient is biased by endogeneity in the form of reverse causality, or by the export level's effect on U.S. TCB aid allocations. This should not be much of a concern if the causality from exports to U.S. TCB aid runs in a negative direction (i.e. a lower level of exports results in greater TCB aid allocations) because this would mean that our positive USG TCB coefficient is understated and, thus, the U.S. government's TCB aid has been even more effective than our estimates would suggest. But if the causality from exports to TCB aid runs in a positive direction, then our USG TCB coefficient may be overstated, or too large in a positive direction. To ascertain whether this is indeed the case, we begin by eliminating the lag on USG TCB, thus estimating a model where the export level is being regressed on the level of U.S. TCB aid in the year that it was appropriated (rather than implemented). If reverse causality runs in a positive direction, then we should be able to observe that the positive USG TCB coefficient gets even larger when the lag is eliminated.

The results in Table 2, model 3 show that this is not case: without a lag, the USG TCB coefficient becomes statistically insignificant (with a negative sign). We interpret this as a favorable result with regards to endogeneity: there is a very low probability that the positive coefficient for USG TCB observed in the earlier models is being supported by a positive relationship that runs from the country/year export level to its appropriation of TCB aid from the U.S. government. If anything, this result would suggest that reverse causality runs in a weakly negative direction as countries with greater exports receive somewhat less U.S. government TCB aid allocations, controlling for other factors. Indeed, if we were to model U.S. government TCB allocations as a function of the export level lagged two years (thus reversing the dependent and primary independent variables), the export coefficient is negative and statistically significant, indicating that countries that export less have tended to receive more TCB aid from the U.S. government, or that any reverse causality runs in a negative direction.

We offer another more technical test for endogeneity in these results. Our export model can also be estimated using the “difference” generalized method of moments (GMM), a useful econometric technique when one lacks a set of valid external instruments for potentially endogenous independent variables. This GMM estimator differences all variables in the statistical specification and then uses the lagged levels as instruments for the potentially endogenous differenced regressors (Arellano and Bond 1991). As potentially endogenous regressors, we identify USG TCB, even with a two year lag, and also the logged value of Gross Domestic Product since the Keynesian production function puts exports on the right-hand side of national income, or GDP. Our difference GMM model is estimated in two steps with robust standard errors. To avoid overfitting, it is important that the instrument count not exceed the number of country units in the sample: our sample includes 148 countries and has an instrument count of 104, or 52 per endogenous regressor. The difference GMM results in Table 2, model 4 produce a larger positive coefficient for USG TCB (0.011) than our earlier set of fixed effects regressions, which is consistent with our contention that if there was any reverse causality in our earlier export models, it tended to weaken (not strengthen) the USG TCB coefficient.

Other Aggregate International Trade Outcomes

Having shown what U.S. TCB aid can explain (i.e. recipient exports), we now offer some additional estimates showing what it *cannot* explain. Given the interest in USAID TCB aid effects in particular, the

⁷⁰ It is important to note that a one-year lag on the dependent variable does not cost us any observations given the two-year lag on USG TCB.

statistical models in Table 3 will use the two parallel TCB aid measures: USAID TCB and Other USG. But this set of (non)results is also robust to using the combined U.S. TCB measure: USGTTCB.

Table 3: Models for Alternative Indicators of Overall Trade Performance

| Model: | 1 | 2 | 3 |
|---|------------------------------|---------------------|---------------------|
| Dependent Variable: | Export Share of World Market | Export Volume | Imports (logged) |
| USAID TCB (logged and lagged 2 years) | -0.000 (0.000) | 0.002 (0.002) | -0.000 (0.002) |
| Other USG TCB (logged and lagged 2 years) | 0.000 (0.000) | 0.001 (0.001) | 0.000 (0.001) |
| Gross Domestic Product (logged) | 0.029*** (0.008) | 0.165*** (0.047) | 0.224*** (0.042) |
| Population (logged) | -0.207 (0.271) | -0.855 (1.313) | -0.210 (0.554) |
| GDP Growth Rate | 0.000 (0.000) | 0.001 (0.002) | 0.005*** (0.001) |
| Year trend (2001=0) | 0.009 (0.006) | 0.001 (0.025) | 0.173*** (0.011) |
| Number of observations | 1,048 | 733 | 1,030 |
| R ² Within | 0.02 | 0.03 | 0.56 |
| R ² Between | 0.14 | 0.08 | 0.26 |

Cell entries are fixed effects coefficients with AR(1) disturbances. Standard errors in parentheses.

Country dummy variables are not reported for space considerations.

Statistical significance: *** p<.01, ** p<.05, and * p <.10.

In Table 3, model 1, the export share of the world market becomes the dependent variable, and the results show statistically insignificant coefficients for two U.S. TCB aid measures. We do not see this as particularly problematic in terms of TCB aid effectiveness because if most countries are simultaneously experiencing a boost in their exports from U.S. TCB aid, then it would be hard for the average country's share of the world market to increase as a result because their competitors would also be experiencing export growth at the same time.

In Table 3, model 2, export volume (measured as the ratio of the export value index to the corresponding unit value index using UNCTAD data) becomes the dependent variable, and the two U.S. TCB aid coefficients remain statistically insignificant. Not only is this not a problematic result in terms of TCB aid effectiveness, it might even be cautiously interpreted as a positive one based on the following understanding: one goal of the aid for trade agenda was to increase the export capacity of lesser developed countries *by expanding their export base* (in terms of the number of exportable products) rather than by simply increasing the volume of goods (often primary products) that they already could export in lower quantities.

This result suggests that the increase in exports shown earlier is not due to the latter effect (i.e. increasing the volume of primary product exports). We will later offer some additional evidence consistent with the former effect in that U.S. TCB aid has been associated with an increase in the number of products successfully exported by recipient countries, suggesting an expansion of their export base.

In Table 3, model 3, we estimate a model of the logged value of total merchandise imports. Although TCB aid has not been primarily directed towards increasing recipient country imports, these imports are, of course, the exports of some other country that may or may not receive US TCB aid. However, we find no statistically significant effect for either of the two U.S. TCB aid coefficients.

Disaggregating USAID TCB

Having explored other aggregate international trade outcomes, we now return to our primary dependent variable (the logged level of exports measured in constant U.S. dollars) and disaggregate the effect of TCB aid provided by the U.S. Agency for International Development, while controlling for TCB aid from other U.S. government sources. The USAID TCB measure used in Table 1 (model 1) and Table 3 was a general TCB measure, including both direct and indirect aid flows. But we also have data on narrower, or more specific, USAID TCB aid flows, albeit for a more restricted period (2002-06, with the loss of the first observation in the time-series given the correction for first-order autocorrelation). For comparison purposes, we first re-estimate model 1 from Table 1 using this more restricted sample, and the results are presented in Table 4, model 1. These estimates show the USAID TCB coefficient to be positively signed and of generally similar magnitude as before (0.005), but, owing primarily to the smaller sample size (N=586), it loses statistical significance at conventional levels.

In table 4, model 2, we separate the USAID TCB measure into two parallel aid flows: USAID Direct TCB and USAID Indirect TCB. While both of these coefficients are positively signed, neither is statistically significant. In model 3, we further disaggregate USAID Direct TCB into three component TCB aid series: 1) USAID TCB for Export Promotion, 2) USAID TCB for Improved Trade-Related Public Practices, and 3) USAID TCB for Trade Facilitation. These results show that USAID TCB for Export Promotion is positively signed and statistically significant, but that the other two component measures (USAID TCB for Trade-Related Public Practices and USAID TCB for Trade Facilitation) are statistically insignificant.

We offer three comments about this set of results. First, given that there was already a relatively weak signal for USAID TCB (see table 1, model 1), it is not surprising to see the signal becoming even weaker when this independent variable is further disaggregated and when the statistical sample is made even smaller. Second, to the extent that we can nonetheless find a signal for USAID TCB for Export Promotion (table 4, model 3), this is precisely where one should expect to find it given that the vast majority of USAID's TCB aid has been devoted to "Export Promotion" rather than to the other sectors (see Figure 3 above). We shall return to this point later in the report. Third, it is certainly possible that aid programs for "Trade Facilitation," for example, may require more than two years to produce the desired effect. This possibility would suggest increasing the lag on the TCB variables beyond two years as done in this report. But increasing the time lag will also require a longer TCB time series than is currently available to conduct robust statistical analyses.

Table 4: Impact of USAID TCB Sub-Sectors on Total Exports

| Model: | 1 | 2 | 3 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Dependent Variable: | Total Merchandise Exports (logged) | Total Merchandise Exports (logged) | Total Merchandise Exports (logged) |
| USAID TCB (logged and lagged 2 years) | 0.005 (0.004) | | |
| USAID Direct TCB (logged and lagged 2 years) | | 0.006 (0.004) | |
| USAID TCB for Export Promotion (logged and lagged 2 years) | | | 0.008* (0.004) |
| USAID TCB for Trade Related Public Practices (logged and lagged 2 years) | | | -0.002 (0.003) |
| USAID TCB for Trade Facilitation (logged and lagged 2 years) | | | -0.000 (0.003) |
| USAID Indirect TCB (logged and lagged 2 years) | | 0.001 (0.003) | 0.001 (0.003) |
| Other USG TCB (logged and lagged 2 years) | 0.004 (0.003) | 0.003 (0.003) | 0.004 (0.003) |
| Gross Domestic Product (logged) | -0.154 (0.106) | -0.155 (0.106) | -0.161 (0.106) |
| Population (logged) | -3.009** (1.385) | -3.020** (1.388) | -2.966** (1.396) |
| GDP Growth Rate | 0.002 (0.004) | 0.003 (0.004) | 0.002 (0.004) |
| Year trend (2001=0) | 0.233*** (0.028) | 0.234*** (0.028) | 0.233*** (0.028) |
| Number of observations | 586 | 586 | 586 |
| R ² Within | 0.25 | 0.25 | 0.26 |
| R ² Between | 0.43 | 0.43 | 0.43 |

Cell entries are fixed effects coefficients with AR(1) disturbances; standard errors in parentheses.

Country dummy variables are not reported for space considerations.

Statistical significance: *** p<.01, ** p<.05, and * p <.10.

Conditional USAID TCB Effects

Having shown that the USAID's TCB aid has, on average, been somewhat effective in promoting recipient country exports, we now turn to a consideration of its conditional effects. More specifically, we want to know if USAID TCB has been *more or less* effective in recipient countries that have a greater need for such external trade assistance. This will help answer the question of whether the USAID's TCB aid has been boosting the exports of more needy recipients or whether the observed effects have been limited to countries where it would have been comparatively easy to boost exports, i.e., that set of countries that do not need much external trade assistance because their traded goods are already relatively competitive in the international market.

It is difficult to identify a single factor or variable that would uniquely identify a country's "need" for TCB aid. But we can identify five variables that are consistent with the concept of a greater need for external trade assistance. The first such variable is GDP per capita based on the understanding that lesser developed countries, or those with a lower GDP per capita, have been often been less successful in exporting their goods and in expanding their export base (in terms of the number and diversity of exported products).

The second factor that may indicate a greater potential need for TCB aid is a country's land area because it may be harder for a larger sized country to move its goods, especially when they are not produced in border zones, into foreign markets. Stated somewhat differently, larger sized countries may have greater physical infrastructure needs, thus making it more costly for producers to ship their goods within their domestic economy in order to reach the export facilities located on or near their national borders.

The third is a country's "landlocked" status. As discussed earlier, a landlocked dummy variable is a standard control in the gravity model of international trade based on the understanding that landlocked countries export (and import) less because it is harder to move goods out of (and into) their national economy given the higher costs associated with shipping over land (as compared to shipping over water) into foreign markets.

The fourth factor is the country's distance from the center of the world market. Following Melitz (2007), we treat the Netherlands as the least remote country in the world trading system and thus identify Amsterdam as the geographic center of the world market. Based on this understanding, one might identify that countries more distant from Amsterdam are also in greater need of TCB aid because they encounter greater shipping/transportation costs in bringing their goods to the world market center. Indeed, this is much the same logic for why distance measures in the gravity model of international trade should be negatively signed (i.e. consistent with lower level of exports).

The fifth variable is Gamberoni and Newfarmer's (2008) "demand for TCB" index, which classifies countries into quintiles based on five measures of international trade performance and five other measures of internal trade capacity. This 5-point ordinal scale thus codes countries with the greatest TCB demand as 5 and the countries with the least demand for TCB as 1, based on these criteria.

Although not necessarily a direct measure of recipient need, we also consider the conditional effect of U.S. TCB aid in terms of a country's participation in the Integrated Framework. The Integrated Framework is a multilateral policy initiative where several international institutions (including the International Monetary Fund, the International Trade Centre, the United Nations Conference on Trade and Development, the United Nations Development Program, the World Bank and the World Trade Organization) have tried to work more directly with TCB aid recipients. Our Integrated Framework variable is coded 0 for country/year observations that are not involved, 1 for the observations that are in the first phase, and 2 for second phase observations. One might thus expect to observe that U.S. TCB aid has been somewhat more effective for recipient countries that have been participating more fully in the Integrated Framework.

In order to ascertain whether U.S. TCB aid has been more or less effective with regards to these six factors, we will interact our TCB aid measures with each of these six variables in separate statistical models of logged merchandise exports. Model A uses USAID TCB, while model B uses overall USG TCB. As reported earlier, the results tend to be stronger when using the combined measure (USG TCB), so our graphs presented below will focus on these results. But the similar patterns are apparent for the narrower USAID TCB measure. It is very important to understand that with its interaction, the marginal effect of USAID TCB (or USG TCB) now depends on two different coefficients (e.g. the USAID TCB constitutive coefficient and the USAID TCB interactive coefficient) plus the value of the variable with which it has been interacted. Thus, where we find some interesting variation for our interactions results presented in Table 5, we will also present them by graphing the marginal effect of TCB aid over the range of values of its interaction variable.

Table 5: Effects of USAID and USG TCB on Exports, Conditional on Mediating Factors

| Model: | 1 | 2 | 3 | 4 | 5 | 6 |
|--|------------------------------------|--------------------|--------------------|-------------------|--------------------------------|-------------------------------------|
| Dependent Variable: | Total Merchandise Exports (logged) | | | | | |
| Intervening variable | GDP per capita | Land Area (logged) | Landlocked | Distance | Gamberoni and Newfarmer Demand | Integrated Framework (trichotomous) |
| A. USAID TCB | | | | | | |
| USAID TCB (logged and lagged 2 years) | 0.021* (0.012) | 0.018 (0.015) | 0.003 (0.003) | -0.002 (0.035) | -0.004 (0.011) | 0.003 (0.003) |
| Interaction TCB*Intervening | -0.003 (0.002) | -0.001 (0.001) | 0.005 (0.006) | 0.001 (0.004) | 0.003 (0.003) | -0.001 (0.003) |
| B. Total USG TCB | | | | | | |
| USG TCB (logged and lagged 2 years) | 0.033*** (0.011) | 0.006 (0.011) | 0.006** (0.003) | -0.008 (0.030) | 0.008 (0.011) | 0.005* (0.003) |
| Interaction TCB*Intervening | -0.003** (0.001) | 0.000 (0.001) | 0.012** (0.006) | 0.002 (0.003) | 0.000 (0.003) | 0.002 (0.003) |
| N | 1005 | 1030 | 1030 | 1030 | 818 | 883 |

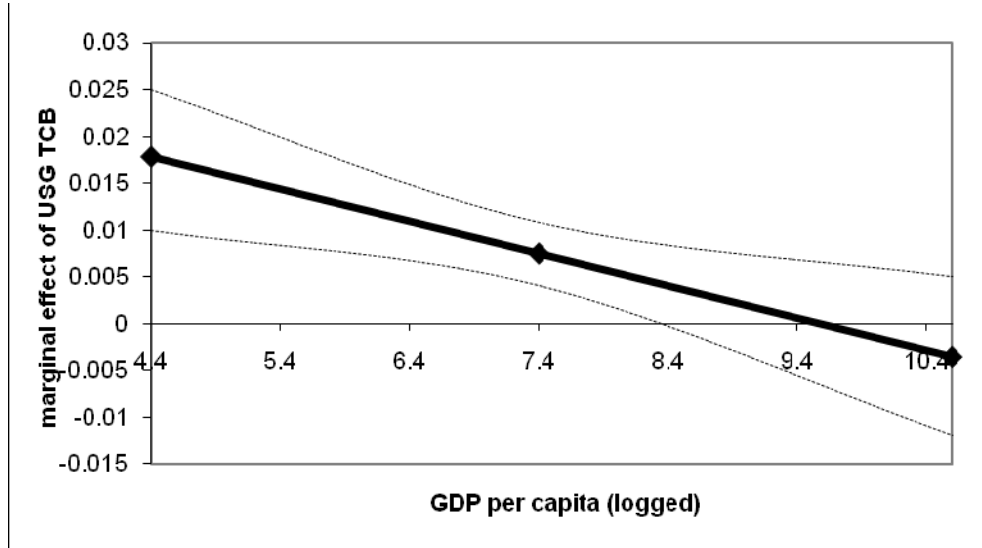
Cell entries are fixed effects coefficients with AR(1) disturbances; standard errors in parentheses.

Control variables omitted for space purposes.

Statistical significance: *** $p < .01$, ** $p < .05$, and * $p < .10$.

As illustrated in Figure 5 using the results from Table 5, model 1B, the marginal effect of USG TCB has been greater in more needy countries, defined as those with a lower logged value of GDP per capita. The results in Table 5, model 2A and 2B do not show statistically significant differences for larger or smaller countries in terms of their land area, so we make no effort to graph the marginal effects for TCB interactions with the land area independent variable.

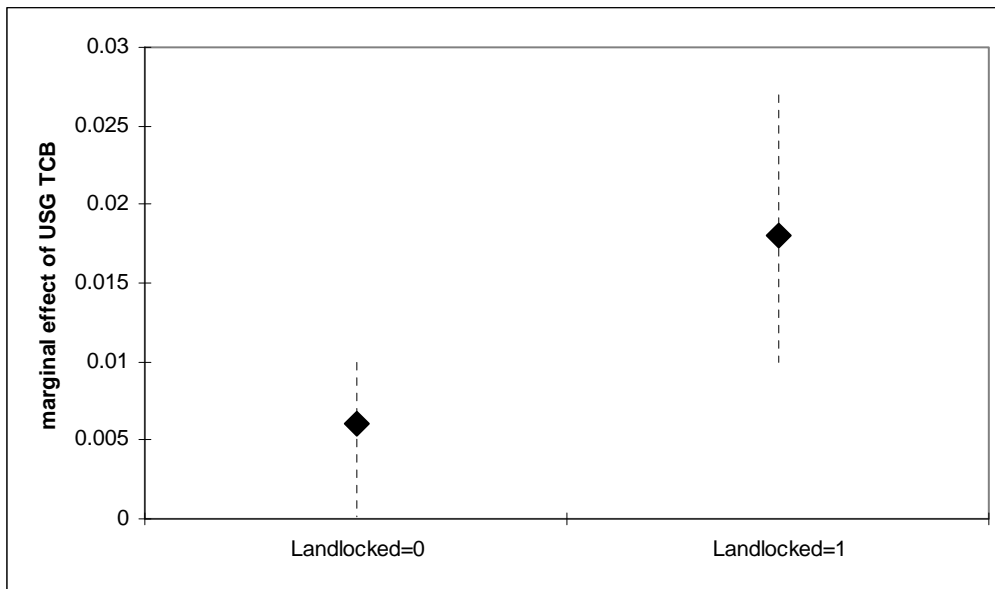
Figure 5: The Marginal Effect of USG TCB conditioned on GDP per capita (logged)



Bolded line indicates the estimated marginal effect with diamonds at the minimum, mean and maximum values for GDP per capita (logged). Dashed lines indicate confidence intervals associated with the .10 significance level.

We do, however, find a statistically significant difference in terms of the landlocked status of recipient countries when using total U.S. government TCB aid. As shown in Figure 6, using the results from Table 5, model 3B, the marginal effect of USG TCB has been greater in landlocked countries, which are arguably needier in terms of TCB aid given greater difficulties in exporting their goods.

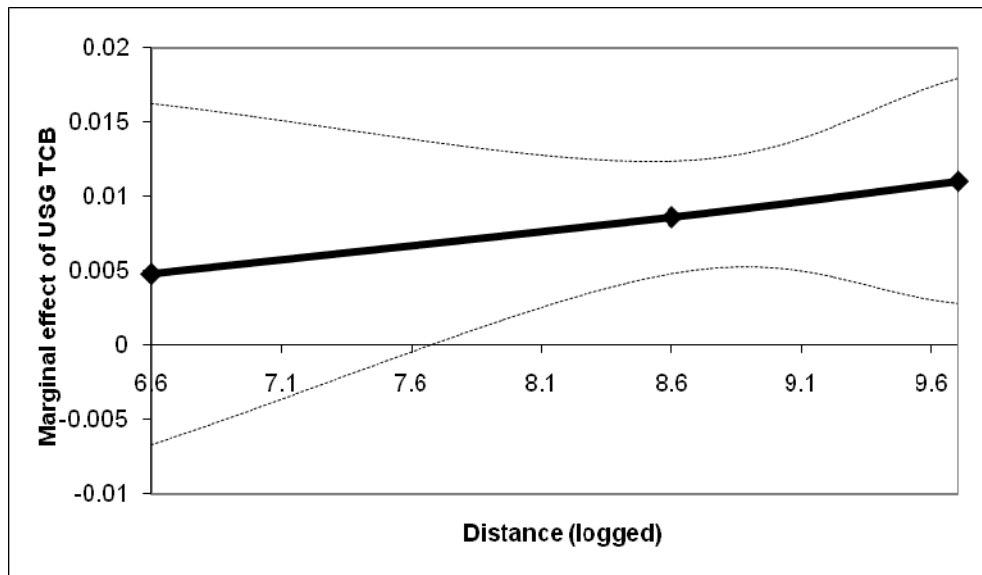
Figure 6: The Marginal Effect of USG TCB conditioned on Landlocked



Diamonds indicate the estimated marginal effect with the dashed lines indicate confidence intervals associated with the .10 significance level.

We also find that total U.S. government TCB aid has been somewhat more effective in recipient countries that are more distant from the center of the world trading system. Figure 7 graphs the marginal effect of USG TCB using the results in Table 5, model 4B. While the two USG TCB coefficients were individually insignificant (but positively signed), they become jointly significant (with a larger positive sign) for larger values of distance logged, or for those countries that are further away from Amsterdam, identified as the center of the world market. But using Gamberoni and Newfarmer's index of TCB demand, we do not find statistically significant differences either in terms of USAID TCB (Table 5, model 5A) or in terms of USG TCB (Table 5, model 5B).

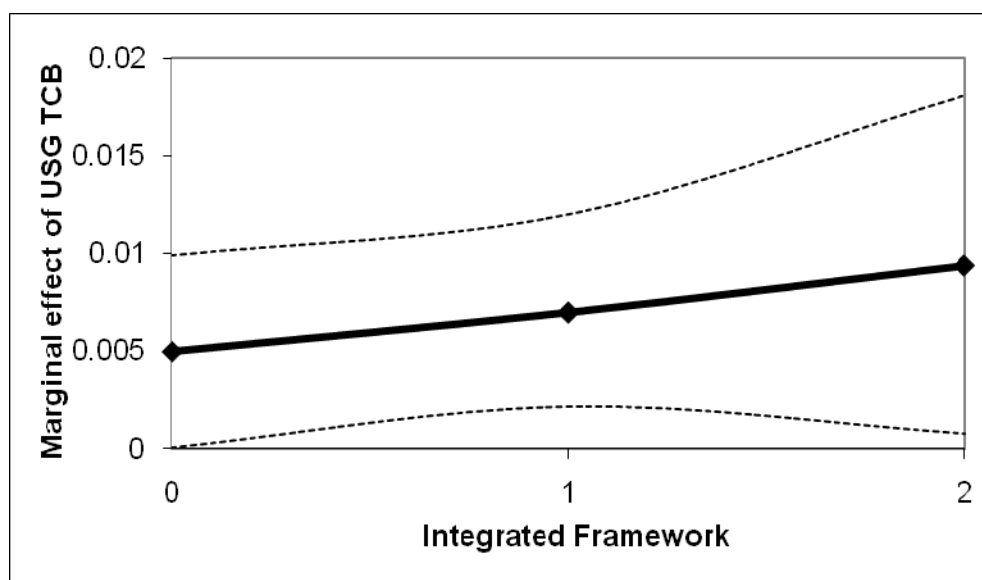
Figure 7: The Marginal Effect of USG TCB conditioned on Distance



Bolded line indicates the estimated marginal effect with diamonds at the minimum, mean and maximum values for Distance (logged). Dashed lines indicate confidence intervals associated with the .10 significance level.

Finally, we do find that U.S. TCB aid has been somewhat more effective for recipient countries that have been participating more fully in the multilateral Integrated Framework initiative. As shown in Figure 8 (using the results from Table 5, model 6B), the marginal effect of USG TCB has been greater for recipient country/years that have been more involved with this multilateral policy initiative. It is worth noting that since there are relatively few observations coded as 2 for our Integrated Framework variable (i.e. countries participating in the second phase), the standard error tends to be relatively large for the estimated coefficient (or marginal effect) when Integrated Framework=2.

Figure 8: Marginal Effect of USG TCB conditioned on Integrated Framework



Bolded line indicates the estimated marginal effect with diamonds at the three possible values for Integrated Framework. Dashed lines indicate confidence intervals associated with the .10 significance level.

4. Second Level: Models of Intermediate Outcomes

We now turn to analyzing the effect of U.S. TCB aid on sub-sectoral outcomes. As discussed earlier, we focus on three specific sub-sectors: 1) Export Promotion, 2) Trade-Related Public Practices, and 3) Trade Facilitation. In order to perform this analysis, we employ a set of new dependent variables that can be linked, albeit sometimes only indirectly, to each of the three sub-sectoral outcomes. Indeed, for each sub-sectoral outcome, we were able to identify at least three related dependent variables.

While we do believe that these new dependent variables offer the best available data that one can plausibly link to the sub-sectoral outcome in question, we also believe that these new data tend to be of lower quality than the cross-national export data, which was used as our primary dependent variable in the earlier set of regression models. We make this claim about lower data quality for three related reasons. First, several of these new dependent variables represent subjective judgments (albeit by experts) on cross-national trade outcomes, policy, and infrastructure. Second, most of these new variables have more limited country, or cross-sectional, coverage, forcing us to use smaller statistical samples and thus, lowering the confidence in our statistical estimates.

Third, most of these new variables also have very limited temporal, or over-time, variation for countries that are included in the analysis sample. Consequently, we will estimate all of the sub-sectoral models *without country fixed effects*, or without the N-1 set of country dummy variables. In dropping the country fixed effects, it is important to recall that a series of time-invariant regressors (distance, landlocked, island, land area) will re-emerge among our set of regressors because this set of independent variables had been subsumed earlier by the country indicator variables. Without the country dummy variables, variables such as distance, landlocked, island, land area do offer some unique variation in our sub-sectoral regressions. We must also report that given the lack of temporal variation in these new dependent variables, none of the statistically significant results that we will report below would remain so if country fixed effects were included

in the model. Consequently, we view the sub-sectoral results as the most fragile set of regressions in this report.

For each sub-sectoral dependent variable, we estimate four different regression models. The first includes Total USG TCB next to the following set of control variables: Gross Domestic Product, Population, the economic growth rate, Distance, Landlocked, Island, Land Area, and the Year Trend. The second splits the total U.S. government TCB aid measure into its two primary components: USAID TCB and Other USG TCB. The third splits the USAID TCB measure into its Direct and Indirect components, while also controlling for Other USG TCB. Finally, in the fourth model, we employ the parallel series of narrow USAID TCBs measures: USAID TCB for Export Promotion, USAID TCB for Trade-Related Public Practices, and USAID TCB for Trade Facilitation. As discussed earlier, these narrow USAID TCB series have a shorter time-series than the other TCB aid series and so our statistical estimation will be less robust for this set of regressions.

Export Promotion

The three variables that we can plausibly link to the sub-sectoral outcome of Export Promotion, defined as improving the export base of and export practices within recipient countries, are: 1) the number of products exported, 2) an export concentration index, and 3) a private business practices variable created through factor analysis. As shown in Table 6, model 1, while USG TCB has a positive sign (indicating its positive association with the number of products exported two years later), it is not quite statistically significant at conventional levels. But its component series, USAID TCB, is both positively signed and statistically significant, a result that is entirely driven by the USAID Direct Component (and not by its Indirect component). In terms of the narrower aid series, we also find that the USAID aid stream devoted to this purpose (i.e. USAID TCB for Export Promotion) is positively signed and statistically significant.

Despite the positive results for the first dependent variable related to Export Promotion, we find no statistically significant positive results for the other two dependent variables: the Private Business Practices Index and the Export Concentration Index.⁷¹ There are two ways to read these non-results. The first is that U.S. TCB aid has had only weak effects in terms of export promotion, as broadly defined above. The second is that the dependent variables used in column 2 and 3 come from relatively poor quality data and, consequently, one should not expect to find statistically significant results when using noisy dependent variables. Since we do not have better data related to this sub-sectoral outcome, we cannot privilege either of these possible explanations.

Trade-Related Public Practices

We can link five dependent variables to the sub-sectoral outcome of Trade-Related Public Practices, based on the understanding that improving the trade policy and regulations of recipient countries should result in lower forms of trade protection, measured in a variety of ways. We find some evidence that U.S. TCB aid has been associated with reduced trade protection in recipient countries two years later. Measured in terms of the applied tariff weighted average, USG TCB is significantly associated with a reduction in trade protection, as are both of its component measures: USAID TCB and Other USG TCB. In terms of the USAID component, most of this effect comes from USAID Direct TCB (rather than from the Indirect

⁷¹ We also ran a set of regressions where UNCTAD's Export Diversification Index, instead of its Export Concentration Index, was the dependent variable. These regressions produced a very similar set of non-results.

Table 6: Models for 2.1 - Private Sector Practices Improved

| Model: | 1 | 2 | 3 |
|--|--------------------------------------|----------------------------|-----------------------------------|
| Dependent Variable: | Number of Products Exported (logged) | Export Concentration Index | Private Business Practices Factor |
| Model A: Total USG TCB | | | |
| USG TCB | 0.005 (0.003) | -0.000 (0.001) | -0.004 (0.003) |
| Model B: Total USAID TCB | | | |
| USAID TCB | 0.005*** (0.002) | 0.000 (0.001) | -0.008*** (0.003) |
| Other USG TCB | 0.002 (0.002) | -0.000 (0.000) | -0.001 (0.002) |
| Model C: Direct and Indirect USAID TCB | | | |
| USAID Direct TCB | 0.008*** (0.003) | 0.001 (0.001) | -0.009*** (0.003) |
| USAID Indirect TCB | -0.002 (0.002) | 0.001 (0.001) | -0.000 (0.002) |
| Model D: Sub-Sectoral USAID TCB | | | |
| USAID TCB for Export Promotion | 0.007** (0.003) | -0.000 (0.001) | -0.006 (0.004) |
| USAID TCB for Trade Related Public Practices | 0.003 (0.002) | 0.000 (0.001) | 0.001 (0.004) |
| USAID TCB for Trade Facilitation | -0.000 (0.002) | -0.000 (0.001) | -0.003 (0.004) |

All TCB aid variables have been logged and lagged two years.

Coefficients for control variables omitted to save space.

Statistical significance: *** $p < .01$, ** $p < .05$, and * $p < .10$.

TCB). But it is interesting to note that the narrow USAID TCB aid stream most directed towards this purpose (i.e. USAID TCB for Trade-Related Public Practices) is not statistically significant, although two other aid streams (USAID for Export Promotion and USAID for Trade Facilitation) are statistically significant with a negative sign. We find some similar, but generally weaker, results for the next two measures of trade protection (the applied tariff simple average and the share of duty free lines in the tariff schedule). And we find few statistically significant results in models 4 and 5 when the trade freedom index or our trade protection factor becomes the dependent variable.

Table 7: Models for 2.2 – Trade-Related Public Sector Practices Improved

| Model: | 1 | 2 | 3 | 4 | 5 |
|--|---------------------------------|-------------------------------|---|---------------------|-------------------------|
| Dependent Variable: | Applied Tariff Weighted Average | Applied Tariff Simple Average | Share of Duty Free Lines in Tariff Schedule | Trade Freedom Index | Trade Protection Factor |
| A. Total USG TCB | | | | | |
| USG TCB | -0.083*** (0.030) | -0.038* (0.021) | 0.033 (0.027) | -0.005 (0.081) | -0.001 (0.002) |
| B. Total USAID TCB | | | | | |
| USAID TCB | -0.086*** (0.032) | -0.035 (0.035) | 0.111** (0.045) | 0.059 (0.075) | -0.001 (0.002) |
| Other USG TCB | -0.036** (0.018) | -0.034** (0.014) | 0.046 (0.057) | 0.035 (0.057) | -0.000 (0.002) |
| C. Direct and Indirect USAID TCB | | | | | |
| USAID Direct TCB | -0.103*** (0.037) | -0.059** (0.025) | 0.102** (0.051) | 0.086* (0.050) | -0.001 (0.002) |
| USAID Indirect TCB | -0.044 (0.031) | 0.005 (0.018) | 0.017 (0.025) | -0.020 (0.062) | -0.003 (0.002) |
| D. Sub-Sectoral USAID TCB | | | | | |
| USAID TCB for Export Promotion | -0.066* (0.035) | -0.050** (0.022) | 0.080 (0.050) | 0.144 (0.088) | 0.000 (0.003) |
| USAID TCB for Trade-Related Public Practices | -0.042 (0.036) | -0.005 (0.018) | 0.002 (0.044) | 0.010 (0.075) | -0.003** (0.001) |
| USAID TCB for Trade Facilitation | -0.071** (0.031) | -0.020 (0.015) | -0.061 (0.053) | 0.144** (0.062) | -0.002 (0.001) |

All TCB aid variables have been logged and lagged two years.

Coefficients for control variables omitted to save space.

Statistical significance: *** $p < .01$, ** $p < .05$, and * $p < .10$.

Trade Facilitation

For our final sub-sector, Trade Facilitation (general investment in customs and infrastructure), we were able to create three related dependent variables using factor analysis. The Doing Business factor uses the information from Djankov, Freund and Pham's survey of trading costs, trading time, and associated

documentation. The LPI factor is built using the components parts from the Logistics Performance Index created by the World Bank. The third factor, based on the Global Competitiveness Report, summarizes information on the burden of customs, irregular payments, quality of ports, quality of air transport, and liner shipping connectivity.

While various authors have shown that these customs practices and improved trade infrastructure are associated with increased exports (e.g. Hoekman and Nicita 2008; Djankov, Freund and Pham 2006; Wilson, Mann, and Otsuki 2004), our results do not show that the U.S. government's TCB aid has been associated with any improvement in the recipient country's customs practices or trade infrastructure, at least when measured using these data. As noted earlier, USAID's TCB aid has not been directed primarily towards this purpose, and thus it is perhaps not surprising that the small amount devoted to this sector has had an undetectable impact.

These results should not be read as showing that TCB aid cannot be effective in terms of improving the customs practices and trade infrastructure of recipient countries. Focusing on total OECD TCB, rather than on the U.S. government's TCB aid as done here, Cali and Velde (2008) found that total OECD TCB aid has been associated with a reduction in trading costs, using Djankov, Freund and Pham's trading cost indicators. But total OECD TCB has been more focused on economic infrastructure (Suwa-Eisenmann and Verdier 2007, 497) than the U.S. government's TCB aid program. Thus, it is possible that one might observe stronger effects for U.S. TCB aid in terms of customs and infrastructure if more U.S. TCB aid were, in fact, dedicated to this specific purpose.

In closing this subsection devoted to trade facilitation, it is interesting to note that there was a set of results in Table 7 that one could cautiously interpret as positive evidence for USAID TCB devoted to trade facilitation. The dependent variable in column 4 of that table was the Trade Freedom Index, which captures a number of factors, including customs restrictions defined as customs clearance procedures, customs valuation procedures, custom classification procedures, and advanced deposit requirements. The inclusion of this set of customs-related factors suggests that improvements in the Trade Freedom Index may be capturing better customs practices, if not improvements in actual trade infrastructure. It is thus perhaps noteworthy that direct USAID TCB was significantly associated with an improvement in the Trade Freedom Index and, more importantly, the sub-sectoral allocation devoted to Trade Facilitation was also significantly associated with an improvement in the Trade Freedom Index.

Table 8: Models of 2.3 – More Efficient Movement of Goods Across Borders

| Model: | 1 | 2 | 3 |
|--|-----------------------|---------------------|----------------------|
| Dependent Variable: | Doing Business Factor | LPI Factor | Customs Index Factor |
| Model A: Total USG TCB | | | |
| USG TCB | 0.001 (0.003) | -0.000 (0.000) | 0.004 (0.003) |
| Model B: Total USAID TCB | | | |
| USAID TCB | 0.000 (0.003) | 0.000 (0.000) | -0.002 (0.004) |
| Other USG TCB | -0.001 (0.001) | -0.000 (0.000) | -0.000 (0.002) |
| Model C: Direct and Indirect USAID TCB | | | |
| USAID Direct TCB | -0.001 (0.003) | -0.000** (0.000) | -0.001 (0.005) |
| USAID Indirect TCB | 0.005** (0.002) | 0.000 (0.000) | 0.002 (0.003) |
| Model C: Sub-Sectoral USAID TCB | | | |
| USAID TCB for Export Promotion | -0.002 (0.003) | -0.000* (0.000) | -0.003 (0.003) |
| USAID TCB for Trade Related Public Practices | -0.002 (0.003) | -0.000 (0.000) | 0.000 (0.003) |
| USAID TCB for Trade Facilitation | 0.001 (0.002) | 0.000 (0.000) | 0.003 (0.002) |

All TCB aid variables have been logged and lagged two years.

Coefficients for control variables omitted to save space.

Statistical significance: *** $p < .01$, ** $p < .05$, and * $p < .10$.

5. Conclusions

This study investigated the impact of US government trade capacity building (TCB) assistance on trade-related outcomes in 148 recipient countries between 2001 and 2008. Using the MSI “Results Framework” for trade outcomes performance (see Figure 1), dependent variables were identified at two levels. The first level comprised overall trade performance, with indicators on total exports, imports, and trade integration obtained from sources such as the IMF Direction of Trade Statistics and the UNCTAD Handbook. The second level comprised three intermediate outcomes considered as preconditions for improvement at the main level: 1) improvement of business practices among exporters and importers in the private sector (e.g., number of products exported and export concentration); 2) implementation of better trade-related practices in the public sector (e.g., reduced tariffs); and 3) more efficient and cost-effective movement of goods across borders (e.g., time to export, customs burdens, quality of port infrastructure). Indicators of performance for these intermediate outcomes were also obtained in commonly-used databases such as Doing Business and the Logistics Performance Index project.

The main independent variables were the total amount of U.S. Government trade capacity building (TCB) assistance, and the portion of US Government TCB assistance allocated by USAID. The models all utilized two year lagged values of the US TCB variables in order to capture a presumed lag in program implementation and impact once funds were allocated. We also examined the impact of USAID allocations that were “directly” related to trade capacity building (as determined by a detailed coding procedure developed by MSI), as well as USAID allocations targeted toward each of the three intermediate outcomes described above (again, as coded by MSI). In this way we sought to link *overall* TCB allocations from the US in general, and from USAID in particular, to *overall* trade-related performance, and to link targeted USAID TCB assistance in three different areas with the respective intermediate outcomes that these allocations were intended to improve.

We estimated the effects of US TCB allocations in the context of “fixed effects” panel regression models that controlled for a series of general economic and structural factors, global time trends in trade outcomes, as well as for stable country-specific factors (via country “dummy variables”) that may influence the level of trade outcomes for a given country at all points in time, over and above the impact of USG TCB allocations and other explanatory variables. The models also included a correction for first-order autocorrelation of the idiosyncratic time-specific disturbance terms.

The results showed that total US government TCB assistance, and USAID TCB assistance, each had significant impact on overall trade performance in recipient countries (Table 1). Using total merchandise exports as the main dependent variable, we found that a 1% increase in total US government TCB assistance was associated with an average increase of .008% in total exports. Because this effect was estimated in the context of a log-linear model, the substantive or raw dollar impact of these allocations will depend on the amount of USG TCB assistance that the country receives and its general level of total exports. For a country that received an average amount of USG TCB and which had an average amount of total exports, the impact of every \$1 increase in overall USG TCB was estimated to be a \$53 increase in total merchandise exports two years later.

A similar model (Table 1) was estimated for specific USAID TCB allocations, controlling for non-USAID TCB allocations and all other variables included earlier. The model confirmed the positive effect of TCB assistance, with a statistically significant impact of .004 for USAID and a significant effect of .003 for non-USAID allocations. This translates, for a country that received an average amount of USAID TCB assistance and which had an average amount of total exports, to a \$42 increase in exports for every additional \$1 of USAID assistance provided.

The results for total exports were robust to a variety of different model specifications (Table 2), including analyses that added non-US OECD TCB assistance as an additional control, and analyses that estimated the effects with alternative statistical methods that allowed for the possibility of endogeneity or

“reverse causality” in the US TCB and export relationship. Further, we found no evidence (Table 1) that the total trade performance effects were limited to promoting exports to the United States; on the contrary, the impacts were stronger for exports to the rest of the world.

The positive findings for total exports, however, did not extend to other global indicators of trade performance (Table 3). We found no significant impact of either total USG TCB allocations or USAID assistance on: recipient countries’ export share of the world market, export volume, or total imports.

We conducted a series of analyses using *disaggregated* USAID allocations as the primary independent variables. These results (Table 4) provided some suggestive evidence that “direct” USAID TCB allocations had a stronger impact than did overall USAID allocations, but this difference was not statistically significant. It was the case, however, that the overall impact on total merchandise exports was driven primarily by USAID allocations devoted specifically to export promotion, as opposed to allocations for Trade Policies and Agreements and Trade Facilitation. This result makes sense insofar as the majority of USAID assistance was targeted in the export promotion category; less than one-quarter of all USAID TCB assistance was targeted for Trade Policies and Agreements and Trade Facilitation improvement.

We examined the conditional effect of USG TCB allocations, that is, whether allocation had greater or lesser impact among countries with greater need for trade assistance, and for countries who were participating more intensively in the world-wide Integrated Framework trade initiative. The results (Table 5) suggest that USG TCB had greater impact among countries with greater “need” as indicated in particular by GDP per capita, landlocked status, and more distance from Amsterdam (an agreed-upon “center” of the global economy). Moreover, USG TCB was shown to have stronger effects on countries that were participating more fully in the Integrated Framework process.

The final set of analyses examined the impact of USG and USAID TCB assistance on indicators related to the three intermediate trade outcomes in the Results Framework. These models had more severe data limitations, with the disaggregated allocations being coded for relatively shorter time period, and several of the dependent variables being of relatively weaker quality. As a result, these analyses yielded a more fragile set of results, with none of the findings, for example, being robust to the inclusion of country “fixed effects”. Nevertheless, there was some suggestion (Table 6) that overall USAID TCB, and specific USAID TCB allocations targeted for export promotion, had significant impact on the number of products a country exported, one key indicator related to this sector. Overall USG and USAID TCB allocations were also suggestively linked to indicators related to public sector practices such as lower tariffs and increased trade freedoms. Although specific USAID allocations targeted for this sector did not appear to be particularly influential in producing these results, allocations targeted at trade facilitation did show significant results in improving trade freedom. We found little evidence that total USG TCB, USAID TCB, or specific allocations for customs improvements and more efficient movement of goods across borders, had impact on indicators related to trade outcomes related to this sector. As noted above, however, the amount of USAID TCB allocations in this area was relatively small; moreover, outcome data in this area was available only for a limited span of time.

6. Appendices

Appendix 1: Countries in the Sample

| Country (by sub-region) | Total USG TCB (Millions of 2000 dollars) |
|-------------------------------------|--|
| Benin | 165.1 |
| Burkina Faso | 4.2 |
| Cote d'Ivoire | 0.6 |
| Cape Verde | 77.3 |
| Ghana | 292.5 |
| Guinea | 11.9 |
| Guinea-Bissau | 1.0 |
| Gambia | 0.3 |
| Liberia | 16.0 |
| Mali | 160.8 |
| Mauritania | 0.0 |
| Niger | 2.7 |
| Nigeria | 37.6 |
| Senegal | 17.8 |
| Sierra Leone | 0.7 |
| Togo | 7.4 |
| <i>*Saint Helena (not included)</i> | <i>0.0</i> |
| Burundi | 1.5 |
| Comoros | 0.0 |
| Djibouti | 5.5 |
| Ethiopia | 45.7 |
| Eritrea | 0.8 |
| Kenya | 27.2 |
| Madagascar | 71.7 |
| Mozambique | 244.9 |
| Mauritius | 1.3 |
| Malawi | 18.8 |
| Rwanda | 14.5 |
| Somalia | 0.6 |
| Seychelles | 0.1 |
| Tanzania | 508.4 |
| Uganda | 51.0 |
| Zambia | 36.0 |
| Zimbabwe | 2.0 |
| Mayotte | 0.0 |
| Algeria | 26.1 |
| Libya | 0.2 |
| Morocco | 504.3 |
| Sudan | 7.9 |
| Tunisia | 6.0 |
| Angola | 7.4 |
| Central African Republic | 0.0 |
| Cameroon | 1.9 |

| | |
|---|------------|
| Congo, Republic of the | 0.0 |
| Congo, Democratic Republic of | 7.0 |
| Gabon | 0.4 |
| Equatorial Guinea | 0.1 |
| Sao Tome and Principe | 4.0 |
| Chad | 1.8 |
| Botswana | 2.3 |
| Lesotho | 81.9 |
| Namibia | 9.7 |
| Swaziland | 0.1 |
| South Africa | 37.1 |
| Argentina | 3.3 |
| Bolivia | 79.0 |
| Brazil | 50.6 |
| Chile | 6.4 |
| Colombia | 228.3 |
| Ecuador | 47.0 |
| Guyana | 15.3 |
| Peru | 91.4 |
| Paraguay | 15.9 |
| Suriname | 0.0 |
| Uruguay | 0.2 |
| Venezuela | 0.6 |
| <i>*Falkland Islands (not included)</i> | <i>0.0</i> |
| Belize | 0.1 |
| Costa Rica | 6.4 |
| Guatemala | 40.4 |
| Honduras | 231.5 |
| Mexico | 42.9 |
| Nicaragua | 175.2 |
| Panama | 6.9 |
| El Salvador | 407.3 |
| Bermuda | 0.0 |
| Aruba | 0.0 |
| Netherlands Antilles | 0.0 |
| Antigua and Barbuda | 0.0 |
| Bahamas | 0.0 |
| Barbados | 0.4 |
| Cuba | 0.1 |
| Dominica | 0.4 |
| Dominican Republic | 60.8 |
| Grenada | 0.0 |
| Haiti | 53.8 |
| Jamaica | 22.4 |
| St. Kitts and Nevis | 0.2 |
| Saint Lucia | 0.1 |
| Trinidad and Tobago | 0.0 |
| St. Vincent and the Grenadines | 0.1 |
| Anguilla | 0.0 |
| <i>*Cayman Islands (not included)</i> | <i>0.0</i> |

| | |
|---|-------|
| <i>*Virgin Islands (UK, not included)</i> | 0.0 |
| Montserrat | 0.0 |
| Turks and Caicos Islands | 0.0 |
| China | 23.4 |
| Taiwan | 0.0 |
| Korea, Republic of | 0.2 |
| Korea, Democratic People's R | 0.0 |
| Mongolia | 172.5 |
| Hong Kong, China | 0.0 |
| Macao | 0.0 |
| Brunei Darussalam | 0.0 |
| Indonesia | 101.6 |
| Cambodia | 29.8 |
| Laos | 1.1 |
| Myanmar (Burma) | 0.0 |
| Malaysia | 4.1 |
| Philippines | 146.0 |
| Singapore | 0.0 |
| Thailand | 17.7 |
| Timor Leste | 28.1 |
| Vietnam | 50.1 |
| Afghanistan | 204.3 |
| Bangladesh | 29.6 |
| Bhutan | 0.0 |
| India | 87.0 |
| Sri Lanka | 20.8 |
| Iran | 0.0 |
| Maldives | 0.0 |
| Nepal | 13.9 |
| Pakistan | 28.1 |
| Kazakhstan | 98.7 |
| Kyrgyzstan | 58.1 |
| Tajikistan | 17.4 |
| Turkmenistan | 8.8 |
| Uzbekistan | 23.0 |
| United Arab Emirates | 0.0 |
| Armenia | 172.2 |
| Azerbaijan | 34.5 |
| Bahrain | 0.5 |
| Cyprus | 2.4 |
| Egypt | 528.6 |
| Iraq | 134.9 |
| Israel | 0.0 |
| West Bank and Gaza | 127.7 |
| Jordan | 156.4 |
| Kuwait | 0.0 |
| Lebanon | 12.5 |
| Oman | 2.1 |
| Qatar | 0.2 |
| Georgia | 251.4 |

| | |
|---|-------------|
| Saudi Arabia | 0.0 |
| Syria | 0.0 |
| Turkey | 22.9 |
| Yemen | 9.4 |
| Albania | 15.8 |
| Bosnia-Herzegovina | 17.2 |
| Malta | 0.0 |
| Yugoslavia (Serbia-Montenegro) | 57.4 |
| Croatia | 104.3 |
| Macedonia | 47.2 |
| Slovenia | 0.0 |
| Montenegro | 4.7 |
| <i>*Gibraltar (not included)</i> | <i>0.0</i> |
| <i>*Kosovo (not included)</i> | <i>26.6</i> |
| Hungary | 1.7 |
| Bulgaria | 19.0 |
| Czech Republic | 1.0 |
| Slovakia | 0.5 |
| Moldova | 23.2 |
| Poland | 9.7 |
| Romania | 78.2 |
| Russian Federation | 123.2 |
| Belarus | 1.1 |
| Ukraine | 112.1 |
| Estonia | 0.0 |
| Lithuania | 1.3 |
| Latvia | 0.6 |
| Fiji | 0.0 |
| Papua New Guinea | 0.3 |
| Solomon Islands | 0.0 |
| Vanuatu | 46.7 |
| New Caledonia | 0.0 |
| Micronesia, Federated States | 0.0 |
| Kiribati | 0.0 |
| <i>*Marshall Islands(not included)</i> | <i>0.0</i> |
| Nauru | 0.0 |
| Palau | 0.0 |
| <i>*Northern Mariana Islands (not included)</i> | <i>0.0</i> |
| Tonga | 0.0 |
| Tuvalu | 0.0 |
| Samoa | 0.0 |
| Cook Islands | 0.0 |
| French Polynesia | 0.0 |
| Niue | 0.0 |
| <i>*Tokelau (not included)</i> | <i>0.0</i> |
| Wallis and Futuna | 0.0 |

Appendix 2: Factor Analysis

Because we had multiple indicators of sub-sectoral trade outcomes, we employed factor analysis to aggregate alternative measures into five composite indices. Factor analysis creates a small number of indices out of several variables by extracting a set of mutually uncorrelated factors containing groups of correlated variables. We included in the factor analysis only indicators that complied with the following criteria: 1) they had a theoretical relationship with each of the outcomes under study; 2) they covered at least three observations (years) per country; 3) they were not a descriptive statistics of another variable in the dataset (e.g., maximum or minimum of tariffs). The following table contains the names of the factors that were obtained for each of the sub-sectoral outcomes.

Table 2.1: Sub-sectoral Outcomes and their Factors

| Results Framework Level - Sub-Sectoral Outcome | Factor(s) |
|---|-----------------------------|
| <i>2.1. Private Sector Export/Import Practices Improved</i> | Private Business Practices |
| <i>2.2. Trade-Related Public Sector Policies Improved</i> | Trade Protection |
| <i>2.3 More Efficient and Cost Effective Movement of Goods Across-Borders</i> | Doing Business |
| | Logistics Performance Index |
| | Customs Index |

We used the principal components method to extract the factors, and obtained the final factors using an oblique rotation. This method helped us achieve a more interpretable factor structure and it allowed factors to be correlated, which is a more realistic assumption. By construction, the five measures based on factor analysis have a mean of zero, reflecting the average country-year. Positive values indicate country-years performing above average, while negative values indicate performance below the average. As a rule of thumb, values above 1 indicate that country-years are in the group with the top performance while values below -1 indicate poor performance. Note, however, that negative values must be interpreted as good performance for the factors measuring Trade Protection and (Restrictions on) Doing Business. The following three tables present the factors with their constituting items, their factor loadings (correlations between the items and extracted factors), the communalities (the proportion of variance of each item accounted by the factor), and the number of countries covered by each factor.

Table 2.2. Components of the Factor Analysis and Factor Loadings

| <i>Item</i> | <i>Description</i> | <i>Factor Loadings</i> |
|---|---------------------------------------|------------------------|
| Factor: Private Business Practices | | |
| V2_1_06 | Extent of staff training | 0.713 |
| V2_1_07 | Customer Orientation | 0.836 |
| V2_1_08 | Nature of competitive advantage | 0.367 |
| V2_1_09 | Value chain breadth | 0.608 |
| V2_1_10 | Control of international distribution | 0.689 |
| V2_1_11 | Production process sophistication | 0.905 |
| V2_1_12 | Extent of marketing | 0.868 |
| V2_1_13 | Firm-level technology absorption | 0.484 |
| Factor: Trade Protection* | | |

| | | |
|---|---|--------|
| V2_2_16 | Trade Freedom Index | -0.641 |
| V2_2_18 | TTRI (MFN applied tariff-All Goods) | 0.416 |
| V2_2_20 | TTRI (applied tariff+NTMs) - All goods | 0.732 |
| V2_2_22 | MFN applied tariff-Simple Average – All goods | 0.974 |
| V2_2_25 | MFN applied tariff-Weighted Average – All goods (%) | 0.937 |
| V2_2_26 | MFN applied (AV-only) tariff-Simple Average – All goods (%) | 0.982 |
| V2_2_29 | MFN applied (AV-only) tariff- - Weighted Average – All Goods (%) | 0.918 |
| V2_2_30 | Applied Tariff – Simple Average – All Goods (%) | 0.991 |
| V2_2_33 | Applied Tariff – Weighted Average – All Goods (%) | 0.919 |
| V2_5_01 | MA-TTRI (applied tariff incl. prefs.) - All Goods | -0.174 |
| Factor: (Restrictions on) Doing Business | | |
| V2_3_01 | Time to Export | 0.893 |
| V2_3_02 | Time to Import | 0.888 |
| V2_3_09 | Number of documents required to export goods | 0.723 |
| V2_3_10 | Number of documents required to import goods | 0.825 |
| Factor: Logistics Performance Index* | | |
| V2_3_05 | Perceived Timeliness of Shipments – LPI index component | 0.884 |
| V2_3_07 | Perceived Logistics Competence – LPI index component | 0.953 |
| V2_3_08 | Perceived Trackability of Shipments – LPI index component | 0.940 |
| V2_3_11 | Perceived Efficiency of Customs and Other Border Procedures – LPI index component | 0.936 |
| V2_3_13 | Quality of Transport and IT – LPI index component | 0.941 |
| V2_3_3_02 | Perceptions of International Transport Costs – LPI index component | 0.934 |
| V2_3_3_03 | Perceptions of Domestic Transport Costs – LPI Index Component | -0.009 |
| Factor: Customs Index | | |
| V2_3_06 | Burden of Customs Procedures | 0.542 |
| V2_3_12 | Irregular payments in export & imports | 0.743 |
| V2_3_3_04 | Quality of Port Infrastructure | 0.895 |
| V2_3_3_05 | Quality of Air Transport | 0.861 |
| V2_3_3_06 | Liner Shipping Connectivity Index (LSCI) | 0.645 |

Table 2.3. Communalities

| <i>Description</i> | <i>Communalities</i> |
|---|----------------------|
| Factor: Private Business Practices | |
| Extent of staff training | 0.508 |
| Customer Orientation | 0.699 |
| Nature of competitive advantage | 0.135 |
| Value chain breadth | 0.370 |
| Control of international distribution | 0.475 |
| Production process sophistication | 0.818 |
| Extent of marketing | 0.754 |
| Firm-level technology absorption | 0.234 |
| Factor: Trade Protection* | |
| Trade Freedom Index | 0.436 |
| TTRI (MFN applied tariff-All Goods) | 0.611 |
| TTRI (applied tariff+NTMs) - All goods | 0.689 |
| MFN applied tariff-Simple Average – All goods | 0.854 |
| MFN applied tariff-Weighted Average – All goods (%) | 0.917 |
| MFN applied (AV-only) tariff-Simple Average – All goods (%) | 0.909 |
| MFN applied (AV-only) tariff - Weighted Average – All Goods (%) | 0.905 |
| Applied Tariff – Simple Average – All Goods (%) | 0.901 |
| Applied Tariff – Weighted Average – All Goods (%) | 0.853 |
| MA-TTRI (applied tariff incl. prefs.) - All Goods | 0.837 |
| Factor: (Restrictions on) Doing Business | |
| Time to Export | 0.798 |
| Time to Import | 0.788 |
| Number of documents required to export goods | 0.522 |
| Number of documents required to import goods | 0.681 |
| Factor: Logistics Performance Index* | |
| Perceived Timeliness of Shipments – LPI index component | 0.779 |
| Perceived Logistics Competence – LPI index component | 0.907 |
| Perceived Trackability of Shipments – LPI index component | 0.883 |
| Perceived Efficiency of Customs and Other Border Procedures – LPI index component | 0.873 |
| Quality of Transport and IT – LPI index component | 0.904 |
| Perceptions of International Transport Costs – LPI index component | 0.878 |
| Perceptions of Domestic Transport Costs – LPI Index Component | 0.997 |

| Factor: Customs Index | |
|--|-------|
| Burden of Customs Procedures | 0.294 |
| Irregular payments in export & imports | 0.552 |
| Quality of Port Infrastructure | 0.801 |
| Quality of Air Transport | 0.741 |
| Liner Shipping Connectivity Index (LSCI) | 0.416 |

*Two factors were obtained for this construct, but only one was used.

Table 2.4. Number of Countries Included in Factors

| Factor | Number of Countries Included |
|-----------------------------|-------------------------------------|
| Private Business Practices | 114 |
| Trade Protection | 96 |
| Doing Business | 159 |
| Logistics Performance Index | 131 |
| Customs Index | 76 |

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ANNEX D. SUPPLEMENTARY STATISTICALLY SIGNIFICANT FINDINGS ABOUT RELATIONSHIPS BETWEEN TCB PROJECT CHARACTERISTICS

In Part One, Section V of this volume, MSI presented the results of an analysis of projects success scores compared to 29 other project characteristics, or variables, in four clusters (independent variables, process variables, context variables and dependent variables), as shown again here. Cross-tabulations and Pearson's chi-square tests were used to identify statistically significant among these variables relationships. In this annex, the evaluation reports the results of additional checks it made for statistically significant relationships among project variables using lead variables other than project success scores. Lead variables for which statistically significant relationships with other project variables for which results are reported in this annex include geographic region, Results Framework clusters, project size, sector, institutional beneficiaries and project modalities. Other project variables are reported as being linked to these project characteristics if the association the evaluation found was statistically significant at the .05 level.

Project Variables Included a Statistical Analysis of Inter-Relationships

| Independent Variables (Input and Design Characteristics) |
|--|
| • Total life of project funding |
| • Focus – totally trade, mostly, partly, small part (partly based on percent of funding reported as TCB related) |
| • Project duration |
| • Start and end years |
| • Intended results coded to TCB Results Framework |
| • Sector – agriculture, manufacturing, services |
| • Scope – single country or regional |
| • Scale – national, districts/regions, or smaller (e.g., some towns or villages) |
| • Setting – rural, urban or both |
| • Beneficiaries – government, producer organizations, support organizations |
| • Modalities – studies, training, technical assistance, funds/equipment |
| • Key Implementing Partner – U.S. firm or U.S. PVO |
| • Sustainability Plan – described, or not |
| Process Variables (Implementation Characteristics) |
| • Startup – smooth/timely, or not |
| • Design – weaknesses reported, or not |
| • Critical assumptions – turned out to be problematic, or not |
| • Project was modified at some point, or not |
| • Budget was modified, or not |
| • Problems with key personnel reported, or not |
| • Problems with adequacy of staffing reported, or not |
| • Internal synergy among project components reported, or not |
| • External synergy with other programs reported, or not |
| • Problems with partners (internal/external) reported, or not |
| Context Variables (Location Characteristics) |
| • Geographic region |
| • Presence of conflict |
| • Instability (political, economic, natural disasters) |
| • Parallel programs working focused on the same/similar results |
| Dependent Variables (Outcome Characteristics) |
| • Project success ratings |
| • Unintended results |
| • Attribution – claimed for USAID or shared with others |

A. Geographic Region (USAID Regional Bureaus)

Project success is not linked statistically to the geographic regions in which TCB projects were carried out but other project characteristics were.

ANE had significantly fewer regionally funded projects (8%) than did other regions; all other regions were closer to 25% on this dimension.

Africa had a significantly higher percentage of projects with funding levels below \$5 million (57%) than did other regions. At the other end of the funding spectrum, at least 20% of all projects in E&E and ANE had funding levels of over \$20 million.

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| Projects in LAC were significantly more likely to have reported budget issues as an implementation problem (43% of the time) than were projects in other regions. |
| In ANE, E&E, and LAC, the majority of projects were between 26 and 50 months in duration. The pattern in Africa was significantly different. There were many fewer projects between 26 and 50 months in the region, and more projects that were shorter or longer in duration rather than the general pattern of two to four years; generally projects were less than 25 months or longer than 51 months. |
| In all four regions, the majority of projects were active in both rural and urban areas. However, on the whole, projects in Africa and LAC were significantly more likely to have an exclusively rural focus than were projects in other regions, while E&E was the most likely to projects with an exclusively urban focus. |
| Similarly, producers were significantly more likely to be project beneficiaries in Africa (89% of the time) and LAC (85%) than in other regions, where producers were beneficiaries 75% of the time or less. |
| Government was significantly more likely to be a beneficiary in ANE (55% of the time) and E&E (46%) than in other regions, in which government was a beneficiary 35% of the time or less. |
| Projects across regions included training as one of the modalities for delivering assistance 75% of the time or more, and all regions included studies as a modality approximately 50% of the time. Regions differed with respect to their use of technical assistance and equipment or funds (e.g., funds for grant programs, etc.) Technical assistance was significantly more likely to be a project modality in LAC (80% of the time), with other regions including that modality less frequently: E&E (68%); Africa (64%); E&E (55%). Conversely, E&E was significantly more likely to use equipment or funds as a modality (51% of the time) than were other regions, all of which included one of these modalities 40% of the time or less. |
| Regions also differed with respect to how they attributed responsibility for project performance, with 75% of projects in LAC claiming that results were solely attributable to their USAID projects. Sole attribution to USAID was less frequent in other bureaus, i.e., E&E (65% of the time); ANE (60%) and Africa (48%). Africa is the only bureau where the majority of projects (52%) reported that results were attributable to more than one project or program. |

B. Results Framework Clusters

Project success is not linked statistically to Results Framework clusters but other project characteristics were.

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|--|
| The majority of projects in which trade was only a small component (55%) were projects categorized as having intended results in only the RF 2.1 cluster. In other words, trade was only one type of result on which a large portion of the RF 2.1 projects were focused. Conversely, most projects that included results only in the RF 2.2 cluster (54%) were exclusively trade focused/funded. The next most frequent type of projects with an exclusive trade focus were combination projects focusing on results in both the RF 2.2 and RF 2.3 clusters (46% of this cluster was exclusively trade focused/funded). |
| Projects that included RF 2.1 results were significantly more likely than other projects to have sustainability plans, regardless of whether they were RF 2.1 only projects or combinations that involved RF 2.1 results. |
| Projects that included RF 2.1 results were also significantly more likely than other projects to include training as a modality for assistance delivery. Studies, on the other hand, were most likely in projects that included only RF 2.2 results (61% of projects in this sub-group included a study), or were combination projects that included results from all three RF clusters, where 85% of projects included a study. |
| Unintended positive results were significantly more likely in projects with only RF 2.1 results than in any other type of project. 47% of projects reporting positive unintended consequences were from this sub-group. |

C. Project Size (Life of Project Funding)

Project success was not related to funding levels. Other project variables are.

While roughly 70% of the projects for which life-of-project information was available were managed by U.S. firms, with the other 30% being managed by U.S. PVOs, firms were associated with 75% or more of all projects valued at \$5 million or more. At the lowest funding level, i.e., under \$5 million, 45% of the projects were managed by U.S. PVOs. While not statistically significant, these findings illustrate important patterns in trade capacity building project funding.

Projects with less than \$5 million in life-of-project funding were significantly more likely than other projects to have ended by 2006. The highest percentage of those ending between 2006 and 2009 were projects with life-of-project funding in the \$5 to \$10 million range, whereas among the nine project that were still active at the end of Phase II of this evaluation (early 2010) the largest percentage (44%) had life-of-project funding levels of \$20 million or more. This set of findings also showed that total project funding and project duration are closely correlated. This suggests that, in life-of-project funding terms, average project size and duration for trade capacity building projects have risen over the past decade.

The highest percentage of projects focused exclusively on the manufacturing sector (60%) were those in the smallest life-of-project funding category, i.e., those with a total funding level of \$5 million or less. In contrast, 75% of all projects with life-of-project funding levels of \$20 million or more were focused exclusively on the agricultural sector. The vast majority of projects focusing exclusively on the services sector (86%) had \$10 million or less in life-of-project funding. In life-of-project funding terms, the trade capacity building portfolio in 2002-2006 was dominated by projects with agriculture as their main focus.

Designated trade capacity building funding (i.e., funds reported annually to the U.S. Trade Capacity Building Database) tends to increase with project size. Projects with life-of-project funding levels over \$10 million were significantly more likely to receive more than \$5 million in trade capacity building funds than were projects with less total funding. On the other hand, the data also show that nearly 50% of projects to which designated trade capacity building funds of \$5 million or less are projects with overall life of project funding levels at that level or less. Stated another way, virtually all projects that receive less than \$5 million in dedicated trade capacity building funds are small projects. It was unusual for only a small amount of trade specific funding to go to projects with large life-of-project funding totals.

Projects with larger life-of-project funding levels were significantly more likely to have been undertaken in countries where conflict was or had recently been ongoing; of the 14 trade capacity building projects in countries where conflict was present, six (43%) were projects with life-of-project funding of over \$20 million.

While the level of trade capacity building funding tracks life-of-project funding fairly closely, total project size does not, in and of itself, determine how important trade is as a project focus. Projects worth less than \$5 million in total included just as many project that were totally focused on trade as projects in which trade was only a minor focus. The pattern is similar in projects worth \$20 million or more, they include both exclusive trade projects and projects where trade is only a small component.

Projects valued at less than \$5 million overall were more likely than other projects to report problems with critical assumptions about factors the project could not directly control.

C. Sectors

Project success was not related to sectors, but other TCB project characteristics are.

A statistically significant relationship was found between sectors and geographic regions:

- Projects focused exclusively on agriculture, the largest single sector group, were found mainly in Africa (41%) followed by Latin American and the Caribbean (LAC) (28%).
- Projects that focused solely on manufactured goods were most frequently undertaken in LAC (47%), followed by Asia and the Near East (ANE) (24%).

- Projects with only a service sector program were most frequently found in Europe and Eurasia (E&E) (36%) followed by LAC (21%).
- Projects that combined sectors were also linked geographically; Africa and LAC had the most projects that combined agriculture with manufacturing. An agriculture and services combination was most likely to occur in E&E and LAC. LAC also dominated the relatively small number of manufacturing and services combination projects (50% of all projects in this group).

Similarly, the relatively few projects that focused on all three sectors were most often found in E&E and LAC.

Projects with a single sector focus were significantly more likely to be single country projects than were projects that involved some combination of manufacturing, agriculture, and services. Over 75% of all single sector focus projects were also single country projects. While regional funding was *more* common for projects that focused on more than one sector, at least 50% of projects, regardless of the sector-focus, were country specific rather than regional in nature, and virtually all projects that focused on all three sectors (91%) were country specific.

Agriculture projects were statistically closely associated with rural locations. What was noteworthy from the study's comparison of sector to rural/urban settings was the fact that both manufacturing and services projects were often coded as having been undertaken in rural or both rural and urban areas, based on information in their project documents. Projects that include a manufacturing focus, even exclusively, are not necessarily based only in urban areas.

The relationship between sector focus and life of project (LOP) funding was significant for the 94 projects for which LOP funding data was found. Worth noting in this regard is the fact that 60% of projects with an exclusive manufacturing focus fell in the lowest LOP funding category (less than \$5 million). Projects with an exclusive service sector focus were linked to projects at the lower end of the LOP funding continuum, with 43% in the less than \$5million group and another 43% in the \$5-10 million group. Also noticeable was the fact that all of the projects involving a combined manufacturing and services focus were at the lowest LOP funding level. In contrast, projects with an agriculture only focus had a dual structure with respect to LOP funding, i.e., 35% were funded with less than \$5 million, while another 32% of the agriculture only projects were at the highest LOP level: greater than \$20 million.

57% of the time service sector activities were only small elements of projects that included other components. While this relationship was not statistically significant it stood out in contrast to other single sector focus and combination focus projects which were fairly well distribute across a trade intensity scale, i.e., from projects with a limited trade focus to projects that only focused on trade.

With respect to projects that focuses on only one sector:

- Projects that worked in the services sector, either exclusively or in combination with manufacturing, were significantly more likely (90% of the time) to attribute all of the success they documented to their project efforts than was the case for other sectors.
- Projects with an exclusive focus on agriculture, for example, attributed results solely to their project 53% of the time but said that credit had to be shared with other projects and programs 47% of the time.
- Similarly, projects with an exclusive focus on manufactured goods attributed results solely to their project 64% of the time but shared credit with others 36% of the time. Sharing credit for results was somewhat less likely in combination projects than it was for single focus projects in agriculture and manufacturing.

Relationships between sectors and types of project beneficiaries were also significant. Producers were the main beneficiaries in projects with an agricultural or manufacturing focus, 90% and 88% of the time respectively, as well as in most projects that involved a combination of sectors. This was not the case for projects with a service sector focus. Producers were the beneficiaries in 43% of projects with a service sector focus, while government was a key beneficiary in 50% of these projects. Also notable was the fact that support organizations, including business support organizations (BSOs), producer groups, and industry associations, were beneficiaries in almost half of all agriculture and manufacturing projects and in most projects with a combined focus. Support organizations as beneficiaries was even more pronounced in projects for a small set of service sector only projects, where support firms were one of the beneficiaries 93% of the time.

E. Institutional Beneficiaries

Project success and institutional beneficiaries of TCB projects are not statistically related but other project characteristics are related to beneficiary identify.

There was also a predictable, yet significant, relationship between institutional beneficiaries and the locus of projects within countries, with 57% of project that focus only on producers operating exclusively in rural areas, while none of the support organizations or government agency institutional beneficiaries were found only in rural settings.

Similarly, 77% of project working exclusively with producer organizations were statistically linked to the agricultural sector, while those that focused on support organizations were spread rather evenly across all three economic sectors, as indicated above.

While not statistically significant, 47% of projects that focused on solely on government agencies as beneficiaries were projects that focused exclusively on trade shown in the trade intensity continuum in Table I, compared to 18% of projects that focused exclusively on producer organizations and 17% that focused on support organizations. Projects focusing on support organizations tended to fall at the other end of the trade intensity continuum, with 50% of the projects in that group code as representing only as small component of the projects of which they were a part. Combination projects were distributed more evenly across this continuum.

Projects that focused exclusively on support organizations or only on producer organizations were significantly more likely to involve training than were projects that focused exclusively on government agencies. While 53% of projects that only focused on government agencies involved training the percentage was well over 60% for projects involving producer organization, alone or in combination with other beneficiaries, and higher still, i.e., 80% or better in other combination beneficiary projects.

Projects that focused exclusively on support organizations or only on producer organizations were significantly more likely to involve training than were projects that focused exclusively on government agencies. While 53% of projects that only focused on government agencies involved training the percentage was well over 60% for projects involving producer organization, alone or in combination with other beneficiaries, and higher still, i.e., 80% or better in other combination beneficiary projects.

F. Assistance Modalities

Project success is not linked to assistance modalities, but other TCB project characteristics are. Projects performance ratings for projects that used more than one modality were significantly more likely to achieve a *met/exceed* rating than were projects that used only one modality.

Across a range of combinations and when used alone, projects that involved technical assistance were significantly more likely to attribute success to their own efforts than to cite other entities with which credit should be shared.

Projects that involved only technical assistance or funds or equipment, or in combinations with other modalities, were significantly likely to involve producers as beneficiaries, whereas projects involving studies were more likely to involve other types of institutional beneficiaries. Training as the only modality was associated with all institutional beneficiaries.

Projects that involved only funds or training were significantly more likely than others to discuss synergies with other projects components or indicate other projects were working in parallel to achieve similar objectives.

Not surprisingly, larger projects used a wider range of modalities (focused on technical assistance, funds, or equipment in any combination) while smaller projects delivered/carried out diagnostic studies and training.

Perhaps most interestingly, the frequency with which various assistance delivery modalities, individually or in combination, were associated significantly with USAID regional bureaus. For example:

- In Africa, trade capacity building projects are more likely to use training alone; training plus studies; a three modality combination of studies, technical assistance and funds/equipment than were other regions. Projects

in Africa and LAC were equally likely, and more likely than other regions to use technical assistance as the only modality in a project.

- Asia and the Near East is the geographic location in which funds or equipment was most frequently the only delivery mechanism, though the total number of cases of this type was quite low.
- Projects in Europe and Eurasia were most likely to use the three modality combinations involving training and funds or equipment with either studies or technical assistance, and were likely as projects in Latin American and the Caribbean to use a combination of studies and technical assistance.
- Projects in Latin America and the Caribbean, were as likely as to use technical assistance alone as were projects in Africa, and projects in this region were the most likely to use studies as their only modality, or studies combined with training and technical assistance.

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B. Literature by Results Framework

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