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# **Trade Capacity Building Evaluation Methodologies and Indicators**

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# Trade Capacity Building Evaluation Methodologies and Indicators

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# Contents

<b>1. Introduction</b>	<b>1</b>
<b>2. Evaluation Objectives and Questions</b>	<b>3</b>
Measuring Trade Capacity	3
Guiding Questions	5
Other Variables To Be Addressed	6
<b>3. Cluster Methodology</b>	<b>7</b>
Selecting Clusters	7
Selecting Indicators	12
Defining Clusters and Subclusters	14
<b>4. Export Promotion Clusters</b>	<b>17</b>
Market Analysis and Product Improvement Assistance	18
Business Support Services and Institutions	20
Public–Private Sector Dialogue	20
E-Commerce, E-Business, Internet-based Exporting	21
Trade Promotion Strategy Design and Implementation	21
Trade Finance	22
Variables	23
<b>5. Customs Operation and Administration Clusters</b>	<b>25</b>
Subclusters by Activity	25
Subclusters by Objective	29
Factors Influencing Customs Project Impact	32
Measuring Impacts of Customs Reform Projects	33

<b>6. Trade Negotiation Clusters</b>	<b>35</b>
Institutional Capacities	35
Compliance with Agreements and Standards	38
Participation in Multilateral Trading System	38
Trade Reform Support	40
“Mainstreaming” Support	40
Capacity Building for Statistics and Research	41
Variables	41
<b>Works Cited</b>	<b>43</b>
<b>Appendix. TCB Databases</b>	<b>1</b>

## Illustrations

### Figures

Figure 2-1. Capacity Building Results Chain and Evaluation Scope	5
Figure 3-1. Comparing Cluster Evaluation to Other Types of Multi-site Evaluation	8
Figure 3-2. Decision-tree for Defining Clusters	9
Figure 4-1. Logic Model for Pure Marketing Assistance Interventions	19
Figure 5-1. Framework for Customs Modernization	34
Figure 6-1. Negotiations Trade Capacity Building Causal Model	37

### Tables

Table 2-1. Comparative Methodologies	6
Table 3-1. Country Variables To Be Controlled For	10
Table 3-2. Effect of Project Characteristic on Project Impact	11
Table 3-2. Forming Subclusters by Intervention and Target Beneficiary	11

### Exhibits

Exhibit 2-1. Donor Definitions of Capacity Building	4
Exhibit 4-1. Suggested Categorizations for Export Promotion Projects	18
Exhibit 6-1. Trade Negotiation Clusters and Subclusters	36

# 1. Introduction

A recent study by the General Accounting Office urged USAID to improve evaluation of its trade capacity building (TCB) assistance and to devise a system for systematically undertaking evaluations.<sup>1</sup> Likewise, the Organization for Economic Cooperation and Development (OECD) has urged its members to more systematically review the effectiveness of TCB assistance projects so that lessons can be gathered and shared.<sup>2</sup> This manual addresses the evaluation of three kinds of USAID TCB assistance: export promotion, customs, and trade negotiations assistance. Its purpose is to guide USAID program designers and evaluation teams in evaluating TCB programs and handling methodological and other challenges. It offers suggestions on useful analytical typologies for further subdividing the three main categories, and explains how indicators in the TCB Indicator Database relate to these typologies. That database provides a framework for designers and evaluators to think about how to measure performance for a wide range of TCB assistance programs. It organizes TCB categories, subcategories, specific program objectives and types, relevant indicators, and data sources into a searchable tool, and allows users to add and update TCB categories. The revised TCB Project Database, provided along with the Indicator Database, covers only export promotion and customs projects and combines multiyear projects into one multiyear record searchable by project type and country.

In this manual, we present an overview of frequently asked evaluation and methodology questions and an approach to evaluations, and address the specific questions and challenges posed by evaluating export promotion, customs, and negotiation assistance projects.

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<sup>1</sup> See United States Government Accountability Office, U.S. Trade Capacity Building Extensive, But Its Effectiveness Has Yet To Be Evaluated, February 2005.

<sup>2</sup> See OECD, The Development Dimension -Trade-Related Assistance, What Do Recent Evaluations Tell Us?, Advance Copy, 2006.



## 2. Evaluation Objectives and Questions

USAID's TCB programs can be evaluated on at least two levels. The first level, project or cluster-specific, examines the effectiveness of various approaches to increasing trade capacity. The second level examines performance against such criteria as country ownership, donor alignment, donor harmonization, managing for results and mutual accountability, as suggested by the OECD. Though this manual focuses on project and cluster-level evaluation, one can learn much from the OECD's discussion of the three main difficulties of conducting meta-analyses of TCB programs:<sup>3</sup>

1. The difficulty of *identifying past trade-related activities clearly* is due to the lack of clear definition and accurate inventory of activities, as well as problems in extracting trade-related components from broader programs. Evaluators suggest that clearer guidelines and procedures for classifying activities are needed, as many departments in an agency are often involved in providing and reporting on assistance. A more stringent definition could help facilitate the evaluation of trade-related assistance programs.
2. The difficulty of *assessing results of diverse activities against various intermediary objectives*, such as negotiation capacity; productive and export capacity; trade policymaking capacity, including the capacity to integrate trade policy in a development strategy; and institutional capacity.
3. The complexity of *assessing the effectiveness and impact of micro-level activities on the macro-level* (i.e. on the beneficiary's overall trade capacities and performance) because of problems of attribution and time lags, lack of baseline data, and the difficulty of assessing institutional or policymaking capacities that are often intangible.

We will revisit some of these difficulties, which should be kept in mind as we discuss definitions, focus, and purpose of evaluations.

### MEASURING TRADE CAPACITY

Sound evaluation of changes in trade capacity requires clearly defined terms and measures. Unfortunately, as the OECD's discussion of difficulties with meta-analysis shows, "capacity" can be interpreted in a number of ways, including

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<sup>3</sup> See OECD, *The Development Dimension*, p. 59-60.

1. Governmental capacity to develop and implement trade policies and regulations,
2. Firm (and individual) capacity to produce exportable products, or
3. National capacity to penetrate global markets.

In measuring changes in “trade capacity,” then, it is important to distinguish among these three meanings of the term. The first two types of capacity—governmental and firm or individual—are necessary **but not sufficient** conditions for the third type of capacity—national. And national capacity also depends on the vagaries of international market demand and international exchange rates.

Thus, indicators focusing on actual exports may be appropriate for measuring national capacity, but may not accurately measure changes in either governmental or firm-level capacity. Other types of measures that focus on institutional capacity (e.g., personnel qualifications, budgets, analytical resources), firm and worker productivity, and the export-enabling environment may be more appropriate for measuring changes in the first two types of capacity. Exhibit 2-1 presents more definitions of capacity building.

#### Exhibit 2-1

##### *Donor Definitions of Capacity Building*

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<p><b>CIDA OF CANADA</b></p> <p>Activities, approaches, strategies, and methodologies which help organizations, groups and individuals to improve their performance, generate development benefits, and achieve their objectives over time.</p>	<p><b>GTZ OF GERMANY</b></p> <p>Process of strengthening the abilities of “individuals, organizations and societies to make effective use of resources, in order to achieve their own goals on a sustainable basis.</p>
<p><b>EUROPEAN COMMISSION</b></p> <p>To develop and strengthen structures, institutions and procedures that help to ensure: transparent and accountable governance in all public institutions; improve capacity to analyze, plan, formulate and implement policies” in economic, social, environmental, research, science and technology fields; and in critical areas such as international negotiation.</p>	<p><b>UN DEVELOPMENT PROGRAMME</b></p> <p>Capacity is the “process by which individuals, organizations, and societies develop abilities to perform functions, solve problems, and set and achieve goals premised on ownership, choice, and self-esteem.” Capacity building is the “sustainable creation, retention, and utilization of capacity in order to reduce poverty, enhance self-reliance, and improve people’s lives.</p>

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While these definitions mention individuals, organizations, groups, institutions and societies, for the purposes of most trade capacity-building projects, and this exercise, the evaluator will want to focus on institutions and firms since most TCB projects focus there rather than on individuals or broad policy reform.

A common set of institutional indicators of increased capacity are as follows:

- **Greater resources**—Increasing the amount of resources available to the organization and therefore its ability to provide services and programs.

- **Greater efficiency**—Improving the use of resources across the organization and therefore reducing the relative cost of services and programs.
- **Greater effectiveness**—Improving the management and allocation of resources across the organization and therefore increasing the probability of successful program outcomes.<sup>4</sup>

Many other systems are available for evaluating institutional capacity in both the public and private sectors. For instance, Figure 2-1 shows an evaluation of the World Bank's capacity building programs in Africa, which focuses on government agencies.

Figure 2-1  
*Capacity Building Results Chain and Evaluation Scope*

Inputs/Processes	Outputs	Outcomes		Impact
		Intermediate	Longer Term	
Assessment of country capacity needs and priorities External support (e.g., TA, training, equipment, information)	Increased demand for effective public sector performance New or enhanced Institutional frameworks; organizational structures and processes; individual skills/competencies	Improvements in performance and accountability of key functions: Long-term strategic planning and policy formulation Mobilization and management of funds Service delivery Legal and regulatory enforcement	Quantitative or qualitative changes in public sector deliverables: Better quality and higher coverage of public services Stable and sustainable macroeconomic and fiscal balances	Poverty reduction and sustainable development



SOURCE: World Bank Operations Evaluation Department. 2005. *Capacity Building in Africa, An OED Evaluation of World Bank Support*, Washington, DC, (<http://www.worldbank.org/oed>), p. 6.

One of the best sources of information on institutional capacity assessment for **trade promotion agencies** is found at the website of International Trade Center.<sup>5</sup> We have integrated their indicators into our database.

## GUIDING QUESTIONS

Evaluators generally seek to answer only one type of question at a time in a single evaluation: normative, goal-free, comparative, correlation, or macro impact. Each type of question requires different methodologies and approaches (Table 2-1).

<sup>4</sup> See Rebecca Graves and Henry Culbreath, The Evaluation of Capacity Building Grants, Key Learnings for a Successful Program, <http://www.foundationstrategy.com/documents/EvalCapGrants.pdf>

<sup>5</sup> <http://www.intracen.org/instasptp/welcome2.htm?http&&www.intracen.org/instasptp/tsi/tsiindex.htm>

Table 2-1  
*Comparative Methodologies*

Question	Illustrative Methodologies
<p>Normative—To what extent have the TCB interventions funded by USAID since [year] accomplished project objectives?</p> <p>This question can further be broken down into an examination of efficiency or return on investment, effectiveness (did things change), utility (were useful things done), relevance (were results relevant to targets, to donors), significance (results large enough to matter), or quality (results excellent or poor, according to some standard).</p>	Individual case studies and project evaluations—Representative project evaluation summaries by dominant project objective.
Goal-free— What effects, positive or negative, have TCB projects had on firms, individuals, associations, sectors, economies and government agencies targeted by the projects?	Open-ended participatory instruments—evaluation summaries by target (individuals, firms, associations, agencies). Surveys, questionnaires, focus groups, cluster sampling.
Comparative—Which projects have been more successful in achieving objectives, and what were the factors in their success?	Cross country comparable indicators for specific types of projects.
Correlational—What combinations of project components or interventions were successful and what synergies contributed to that success?	Comparative case studies.
Macro Impact—To what extent have various types of projects contributed in a measurable way to improved trade capacity in the target countries?	Inferential statistical analysis, regressions.

For normative evaluations, evaluators must (1) choose the relevant definition of trade capacity and then identify positive or negative changes in it over an appropriate time period; and (2) establish the degree to which those changes can be attributed to a specific project. Other types of evaluations (2 to 5) tend to assume that normative evaluations have already been carried out and that answers to these two questions are already available. They instead focus on which *types* of projects performed best in various settings. For comparative and correlational evaluations, the primary challenge is to define project typologies in analytically useful ways. (We take this subject up at length below when we introduce cluster evaluation methodology.)

## **OTHER VARIABLES TO BE ADDRESSED**

As the breadth and scope of the projects in the USAID TCB database suggests, trade capacity building covers a wide range of activities, objectives, and delivery vehicles. In addition, project size, duration, and period of time since completion may vary dramatically in any particular sample. Other variables that may affect performance include the capacity and experience of the contractors who carried out projects and the degree to which funding and support for individual projects remained at originally programmed levels. All these variables can have an important impact on results, and make attribution challenging unless the evaluation is approached in small bite-size units. In addition, the retroactive nature of the proposed evaluations (with few if any baseline surveys or data established), limited budgetary resources for broad cross-sectional surveys, and widely varying project designs, will further limit the evaluator's ability to draw conclusions that can be broadly generalized.

# 3. Cluster Methodology

Bearing in mind the interest of USAID in discovering which approaches work better than others, an approach comparing several different types of projects would be desirable. We suggest that using a “cluster” of projects as the unit of analysis would be ideal for these purposes. A popular term, *cluster* was first applied to evaluations by the W. Kellogg Foundation. According to the Kellogg Foundation Evaluation Handbook:

*Cluster evaluation is not a substitute for project-level evaluation, nor do cluster evaluators “evaluate” projects. .... Project-level evaluation is focused on project development and outcomes related to the project stakeholders. Cluster evaluation focuses on progress made toward achieving the broad goals of a programming initiative. In short, cluster evaluation looks across a **group of projects** to identify common threads and themes that, having cross-confirmation, take on greater significance. Cluster evaluators provide feedback on commonalties in program design, as well as innovative methodologies used by projects during the life of the initiative (23).*

## SELECTING CLUSTERS

Cluster evaluation is usually used in a prospective setting in which projects are designed in clusters, but implementation is allowed to vary (as opposed to traditional multi-site projects where each site is supposed to exactly replicate the implementation model). Prospectively designed clusters of projects occur only for that limited number of TCB projects that are directed from USAID headquarters. Most of the time, TCB projects are neither designed to be part of a cluster, nor implemented uniformly. Thus, one might assume that the only solution is to use the methodology in Cell 4 of Figure 3-1—an uncontrolled retrospective analysis of dissimilar sites. We are suggesting, however, that it should be possible to use a modified version of the cluster approach, represented by Cell 3 in Figure 3-1, if clusters are selected carefully and if evaluators significantly engage with project managers and clients.

Figure 3-1

*Comparing Cluster Evaluation to Other Types of Multi-site Evaluation*

		Decision to use multiple sites is made . . .	
		. . . before evaluation begins	. . . after evaluation data are collected
Programme implementation in multiple sites is . . .	. . . controlled (the same in all sites)	Cell 1 – Controlled prospective (sites selected early, uniform implementation)	Cell 2 – Controlled retrospective (retrospective analysis of sites found to have been implemented uniformly)
	. . . uncontrolled (different across sites)	Cell 3 – Uncontrolled prospective (sites selected early, variable implementation)	Cell 4 – Uncontrolled retrospective (retrospective analysis of sites implemented dissimilarly)

*SOURCE: Philip Potter. 2005. Facilitating Transferable Learning Through Cluster Evaluation, New Opportunities In The Development Partnerships of the EU 'EQUAL' Programme. Evaluation, Sage Publications, Volume 11(2): p. 192.*

One must also recognize that the aim of cluster evaluations is to increase stakeholder learning, not necessarily to provide broadly generalizable conclusions, as noted in the quote below:

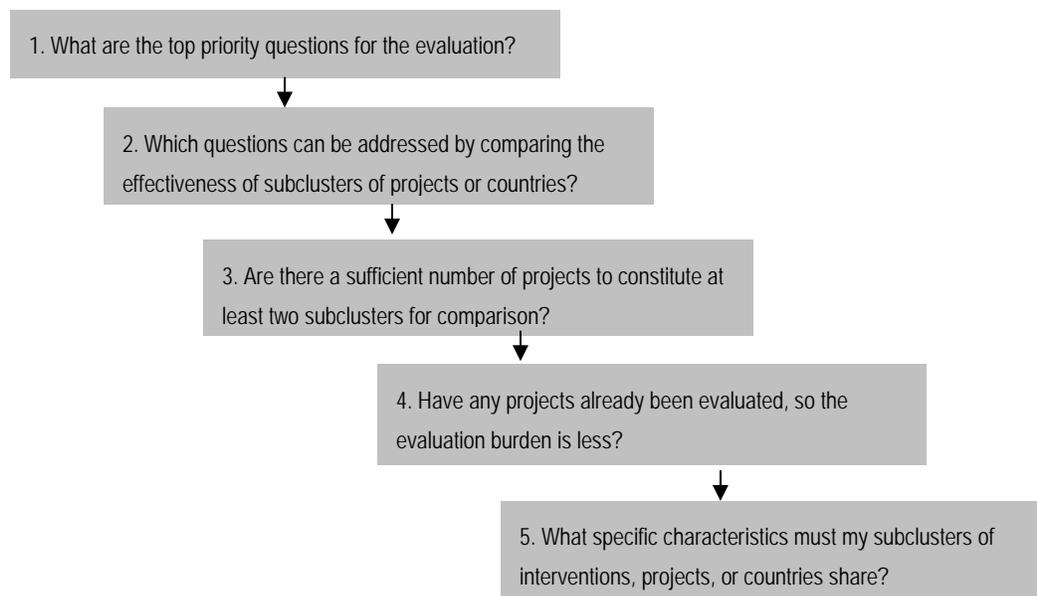
The task of cluster evaluation is to achieve knowledge gains that transcend those pertaining to a single case. The process of cumulating results is more complex than replication, aggregation or verification, because allowance has to be made for the individualities of the single projects involved. In such a context, synthesizing the lessons learned is a complex task. 'Because of the intentional lack of standardization and control, aggregation of findings (is) not feasible' (Sanders, 1997). The strategy for generalizing transferable messages is through establishing favourable conditions for interaction amongst intraprogramme actors and extraprogramme audiences (Potter, 194).

The modified cluster methodology advocated here is indeed retrospective, but the validity and utility of findings can be enhanced over the Cell 4 case, we would argue, by involving program managers and clients in group settings (virtual or face-to-face) where the evaluators can draw out common lessons learned from clusters of projects. This approach will only be feasible, of course, if program and project managers and clients are still available to comment. Fortunately, widespread Internet capabilities now make such discussion feasible in online forums.

## Selection for Homogeneity

To reduce the number of variables to be accounted for when explaining differences in project results (particularly across countries), one must define clusters that are as homogeneous as possible. Therefore, if cluster methodology is chosen to carry out the proposed TCB evaluations, we recommend a decision-tree approach to selecting projects for clusters, as illustrated in Figure 3-2.

Figure 3-2  
*Decision-tree for Defining Clusters*



Step 5 in the decision tree brings the evaluator to the most difficult task, which is determining which project characteristics should be homogeneous and which ones can be allowed to vary. An evaluator who has answered questions 1-4, however, will have a relatively small universe of projects from which to choose, thereby simplify the decision-making process.

## Selection by Country Characteristics

The evaluator uses clusters to isolate factors that contribute to success or failure. For example, an evaluator of export promotion will want to design subclusters to find out which promotion method seems to work the best. The evaluator may (1) select a widely varied but representative set of projects in at least two different subclusters, and then compare the subclusters' results; or (2) select a relatively homogeneous set of countries and compare export performance of those with promotion interventions to those without interventions (homogeneity reduces the impact of external variables).

Even in limited subclusters, country-specific variables (Table 3-1) will have influence and must be accounted for in final conclusions. In particular, we note the importance of exchange rate volatility, which can overwhelm the impact of improvements in trade capacity.

Table 3-1  
*Country Variables To Be Controlled For*

Variable	Significance
Macroeconomic and exchange rate stability	Exchange rate volatility can affect export values simply through accounting adjustments. But such volatility can also immediately and severely affect demand for price-sensitive goods or services.
GDP and average per capita income	Wealthier countries generally have more resources to devote to export promotion than poorer countries. Also, wealthier producers can invest more in the overhead costs of starting to export.
Geographic location	Particularly important for heavy, large products, but also for some types of services (e.g., call centers).
Education levels	Highly educated producers can cope better with the complexities of exporting than the less educated.
Trade-related infrastructure endowments	Communications, transportation, and logistics infrastructure are important determinants of price and reliability.
Size of domestic market and production capacity	Small countries usually have less freedom in diversifying exports, particularly in the short run.

## Selection by Intervention Characteristics

It may also be useful to differentiate among projects by intervention type or strategy. Most TCB projects consist of one or more of the following types of interventions:

- Information analysis and provision (analytical support)
- Training and capacity building, institution building
- Technical assistance
- Network building
- Goods and/or financial assistance (physical support).

Interventions are usually combined in even the simplest TCB project but have distinct delivery methods. Different delivery methods require different evaluation approaches, particularly at the project level. In the TCB Indicator Database, we make linkages between indicators and types of projects and interventions.

## Selection by Other Project Characteristics

Project characteristics include the following:

- Objective
- Target product or target sector
- Size, scope, and duration
- Target beneficiary

Table 3-2 explains the effects of certain project characteristics and why they should be included in cluster definitions. Table 3-3 shows how subclusters (i.e., combinations of multicomponent projects A, B, C D) can be formed and the relevant methodological questions.

Table 3-2  
*Effect of Project Characteristic on Project Impact*

Project Characteristic	Effect
Product or sector target	Some products are more difficult to export than others because of external market characteristics (protected, low margins, slow demand growth), product characteristics (fragility, perishability, weight, size, customizations), or regulation (food and health products).
Overall project size, scope and duration	Increasing exports is a multi-stage process that takes time. If a project is too short or under-funded to carry through all the stages, it won't be successful.
Target audience	Individuals, firms, associations, clusters, government agencies are all targets of TCB projects but the results time frame and the expected impacts will be very different among the groups.

Table 3-3  
*Forming Subclusters by Intervention and Target Beneficiary*

Intervention	Individuals/ Public	Firms	Associations	Government Agencies	Methodological Question
Information provision	<b>A, B</b>	<b>A, C</b>	<b>A, D</b>	<b>A, C</b>	How can we discover if information changed behavior among individuals, firms, associations, or agencies?
Training	<b>B</b>	<b>B, C</b>	<b>B, D</b>	<b>B</b>	How can we discover if the training changed behavior among different groups?
Technical assistance in-situ (firms or governments)		<b>C</b>	<b>D</b>	<b>B, C</b>	How can we discover if the technical assistance changed behavior, environmental constraints, or product characteristics?
Network building	<b>A</b>	<b>A, C</b>	<b>A, D</b>	<b>B</b>	How can we discover if introduction to or belonging to networks changed behavior of different groups?
Goods or financial assistance		<b>C</b>	<b>D</b>	<b>C</b>	How can we determine if access to goods or finance changed behavior, environmental constraints, or product characteristics?

## Evaluation Trade-Offs

As we mentioned earlier, a cluster should match projects as closely as possible. We suggest that projects should be matched along at least three important parameters—admittedly an arbitrary number that depends on the “granularity” of the evaluation question. For example, one may want to devise a cluster of export promotion projects to evaluate how well they perform for artisan products in least developed countries. It may be useful to further disaggregate this group according to the type of assistance provided to artisans (e.g., was trade show participation assistance more or less valuable than product and quality assistance alone)?

An evaluator’s confidence in asserting what does and doesn’t work will depend on the trade-off between the scope of the question and the scope of the evaluation (just as in inferential statistics where the degree of confidence in the findings depends on the size of the sample). A narrow question applied to many projects (e.g., Asking “does providing new computers to customs officials speed processing times?” of 100 projects) will yield much stronger inferences than a

broad question applied to a narrow range of projects (e.g. Asking the same question but of only 5 projects).

To summarize, an evaluator may choose to form clusters along a variety of dimensions and parameters, but the objective is always to try to identify variations among the projects that may explain variations in results, and to increase the understanding of stakeholders and managers in why and how change occurred.

## SELECTING INDICATORS

Having selected clusters or subclusters of projects, the evaluator must determine specific indicators and methodologies by several criteria: stage of execution, proxy indicators, and data quality (as a function of sources, availability, and reliability).

### Stage of Execution

Stage of execution determines what indicators are available. Most evaluations will be of completed projects, though some may include ongoing or recently completed ones. For an ongoing project, indicators of *output* rather than *impact*, for example, may be the only indicators available. An evaluator may be able to assess implementation efficiency using such indicators, but not effectiveness.<sup>6</sup> For a completed project, *intermediate outcomes* or even some *final outcomes* or *impacts* should be discernible. Many TCB interventions, however, involve investments in human capital, institutions, policy changes, or even negotiations that take months or years to mature. Thus, evaluation must be designed to focus appropriately on intermediate outcomes and impacts.

### Proxy Indicators

Where direct results measurement is impossible, the evaluator must devise proxy indicators that can be utilized instead. For example, for a TCB project that aimed at increasing artisan exports, government export statistics may not show any change as a result of the project due to aggregation of artisan products with many other types of products. Therefore, it may be necessary to use a proxy indicator, such as number or value of items produced for export, of items sold to brokers, or of items shipped.

### Data Quality

Data collection, comparability, and quality are critical to any evaluation. Some analysts, arguing that comparative case studies are methodologically weak because they are not data driven, advocate procedures that “force researchers to demonstrate the affinities between the affected and unaffected units using observed quantifiable characteristics.”<sup>7</sup> While interesting, particularly for

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<sup>6</sup> Health programs, by contrast, show clear and well-understood relationships between outputs (e.g., childhood vaccines) and outcomes (e.g., disease rates) that make assessing effectiveness easier.

<sup>7</sup> See Alberto Abadie, *et al*, Synthetic Control Methods for Comparative Case Studies: Estimating the Effect of California’s Tobacco Control Program. To facilitate a data-driven approach, the authors

in depth review of a few cases, this approach may not be appropriate where expected effects are small and difficult to measure using quantitative data, as will likely be the case in many countries receiving TCB assistance. This is especially so if the interventions of only one donor are analyzed. In addition, data collection methods, frequency, and reliability are often weak in very poor countries. A comprehensive impact assessment at the project or cluster level will require the evaluator to refer to several sources and kinds of data to validate findings. To make credible judgments, evaluators should use a number of different quantitative and qualitative data sources rather than relying on one or two sources or on one or two indicators.

### **Sources**

Important data sources include

- Project records, including project design records, initial M&E plans, annual reports, individual task order completion reports, technical studies, participant lists, and meeting notes.
- Donor records and institutional records from client institutions (e.g., firms, associations, NGOs, agencies).
- Intermediate, completion, or *ex post* impact assessments already done for individual projects or groups of projects.
- Government records—municipal, state, provincial, regional, national, or multilateral. The latter are particularly important for undertaking cross-country comparisons. The TCB Indicator Database highlights some of these sources (e.g., World Trade Organization, UNCTAD, OECD, World Bank, World Customs Organization, IMF).
- Independently developed datasets, such as the World Economic Forum and Transparency International, and various academic research projects.
- Primary quantitative and qualitative data collected by the evaluator through individual interviews, surveys, focus groups, institutional performance assessments, expert panels, or content analysis (e.g., coding of media articles).

### **Availability and Reliability**

Early on, the evaluator must deal with data reliability questions, deciding, for example, whether to deploy new data-gathering instruments or to use existing primary and secondary records to answer questions. Collecting primary data across clusters of countries is extremely expensive, so the evaluation budget may be decisive.

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developed a linear model—and an application based in the STATA data analysis program to run the model—that compares “synthetic controls” with individual cases and makes use of micro and macro data. They applied their methodology to the task of evaluating whether California’s Proposition 99 reduced the prevalence of smoking by creating a “synthetic California” with no Proposition 99. They also examined the economic impact of German reunification by constructing a “synthetic West Germany” without reunification.

Trade data would seem to be a straightforward type of globally available secondary data, but such data from developing countries is problematic, particularly when one is trying to identify the impact of programs on sectors. Problems include

- Lack of consistent definitions over time for product categories and other key statistics;
- Exclusion or misallocation of figures on trade in services;
- Double counting of free trade zone exports;
- Undercounting of exports or imports, or both, to avoid customs;
- Insufficient detail at the 4, 5, or 6-digit level of product classification;<sup>8</sup>
- Use of arcane or nonstandard tariff systems or measures; and
- Odd cumulation periods.

Before making cross-country comparisons of any trade data, one must validate data collection and reporting methodologies.

The ease of acquiring data will depend on the purpose of the evaluation and the nature of the projects being evaluated. For example, to compare the performance of similar projects in different regions of one country one must acquire region-specific trade data—but most trade data is consolidated at the port of exit/entry. Only rarely are individual states, provinces, or regions able to provide regional figures. For developing countries that have not yet adopted the Harmonized Commodity Description and Coding System (HS System) comparisons of exports or imports beyond the 2-digit level may be prone to large errors.

## DEFINING CLUSTERS AND SUBCLUSTERS

In defining clusters and subclusters for export promotion, customs improvement, and trade negotiations projects in the next three chapters, we are guided by descriptions provided in the USAID TCB database as follows:

- ***Export promotion*** projects “include assistance to increase market opportunities for developing country and transition economy producers.”
- ***Customs operation and administration*** projects “include assistance to help countries modernize and improve their customs offices.”
- ***Trade negotiation*** projects focus on analytical and negotiating capabilities in a particular country with regard to
  - **WTO Awareness and Accession.** This consists of two subcategories of assistance. Awareness and Participation assistance helps governments and private sector institutions understand and benefit from WTO membership; Accession assistance helps countries meet accession requirements.
  - **Specific WTO Agreements.** This assistance enables countries to better participate in, and benefit from WTO agreements, including the agreements on

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<sup>8</sup> Most countries use the HS System to compile international trade statistics and apply tariffs. Products are identified by codes that are more specific with length. For example, 06 covers all live trees and other plants, 0603 covers cut flowers and buds, and 060310 covers fresh cut flowers.

- Trade in Goods
- Agriculture
- Sanitary and Phytosanitary (SPS) Measures
- Technical Barriers to Trade (TBT)
- Trade-Related Investment Measures (TRIMs)
- Anti-Dumping
- Customs Valuation Methods
- General Agreement on Trade in Services (GATS)
- Rules of Origin
- Subsidies & Countervailing Measures (CVM)
- Government Procurement
- WTO Trade Policy Review Mechanism (TPRM)
- Trade-Related Aspects of Intellectual Property Rights (TRIPs)
- Import Licensing Procedures
- Safeguards
- Disputes Settlement

Some projects are improperly categorized the USAID TCB database, or do not have enough information for definitive categorization; such categorization issues will need to be resolved by close examination of project records. In addition, many projects include activities that fall into more than one cluster. Multifaceted projects place varying emphasis on different components, as is reflected in funding breakdowns. To simplify comparisons, evaluators may compare projects with roughly the same level of funding. However, to the extent that synergies exist among components of multi-cluster projects, it may be misleading to compare these to single-focus projects, even if the component-specific funding is the same. Cluster and subclusters do not need to be defined for mutual exclusion but should use important parameters. The following chapters offer detailed descriptions of such parameters by project type: export promotion, customs improvement, and negotiations.



## 4. Export Promotion Clusters

As noted above, the USAID TCB database defines export promotion projects as those that aim to increase market opportunities. In light of this broad definition, the export promotion projects in the database encompass a wide range of approaches and targets, and consist of related components rather than one single, well-defined strategy. To evaluate effectiveness, one must unbundle the various objectives of these projects and evaluate each objective individually.<sup>9</sup> And this requires carefully examining the causal model underlying each objective.

Unbundling (and weighting) is particularly important for cluster analysis in order to match projects as closely as possible along parameters deemed important to success. One could categorize export promotion components on the basis of their purpose: to improve the export enabling environment (i.e., laws, regulations, institutions, procedures, fees, information deficiencies), or to improve supply response. But simple bifurcation is unlikely to help evaluators answer the interesting questions about program effectiveness, since most of those questions have to do with highly differentiated categories of interventions. For example, “Does helping industry clusters or sectoral associations promote export growth more rapidly than helping individual firms?”<sup>10</sup> Or, “Do export promotion agencies help promote exports more or less than direct financial credits to exporters?” We therefore suggest further categorizing projects using subcategories found under the heading of Trade Development in the OECD TCB database (Exhibit 4-1).

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<sup>9</sup> This may not be appropriate if the resources allocated to a component are very small in relation to project size, or if a component ended early for some reason.

<sup>10</sup> Industry clusters are “geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region” (<http://www.isc.hbs.edu/econ-clusters.htm>). Industry clusters should not be confused with clusters of projects grouped for evaluation.

Exhibit 4-1  
*Suggested Categorizations for Export Promotion Projects*

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**Market Analysis and Product Improvement Assistance**

- Product improvement technical assistance
  - Enhance product exportability (e.g., quality, price, timeliness, packaging, design, branding)
  - Improve production and logistics efficiencies
- Product marketing technical assistance
  - Raise exporting firms' and entrepreneurs' awareness and knowledge of global markets
  - Improve marketing of products, brands, or country images
  - Establish connections with potential and immediate buyers, brokers, or distributors

**Business Support Services and Institutions for Export**

- Enhance firm or sector export capacity (e.g., production volumes, logistics, value chain efficiency, process modernization, customer relations, receivable collections, export credits)
- Increase human resources and skills for export sectors (including services such as tourism, back-office data processing, call centers)
- Improve capacity of local trade associations to provide export services to their members (including information and coordination on standards, markets, pricing, logistics, etc.)

**Public-private Sector Networking**

- Facilitate cooperation between public and private sectors to improve export enabling environment
- Facilitate cooperation between public and private sectors to promote exports directly

**E-Commerce/E-business**

- Build online networks and marketplaces to reduce costs of information and to stimulate trade

**Trade Promotion Strategy Design and Implementation**

- Build government's export promotion capacity (institutional and individual)
- Create appropriate policy, legal, regulatory, and procedural environment to facilitate exports

**Trade Finance**

- Provide financial guarantees to exporters for operating capital
  - Facilitate financing for export transactions
- 

*Note: Though not "perfect," these categories have been selected by most major donor countries. Top headings are in the OECD database; details under each reflect our understanding of the content of the projects in the USAID TCB database.*

*SOURCE: OECD TCB Database (<http://tcbdb.wto.org/>).*

## **MARKET ANALYSIS AND PRODUCT IMPROVEMENT ASSISTANCE**

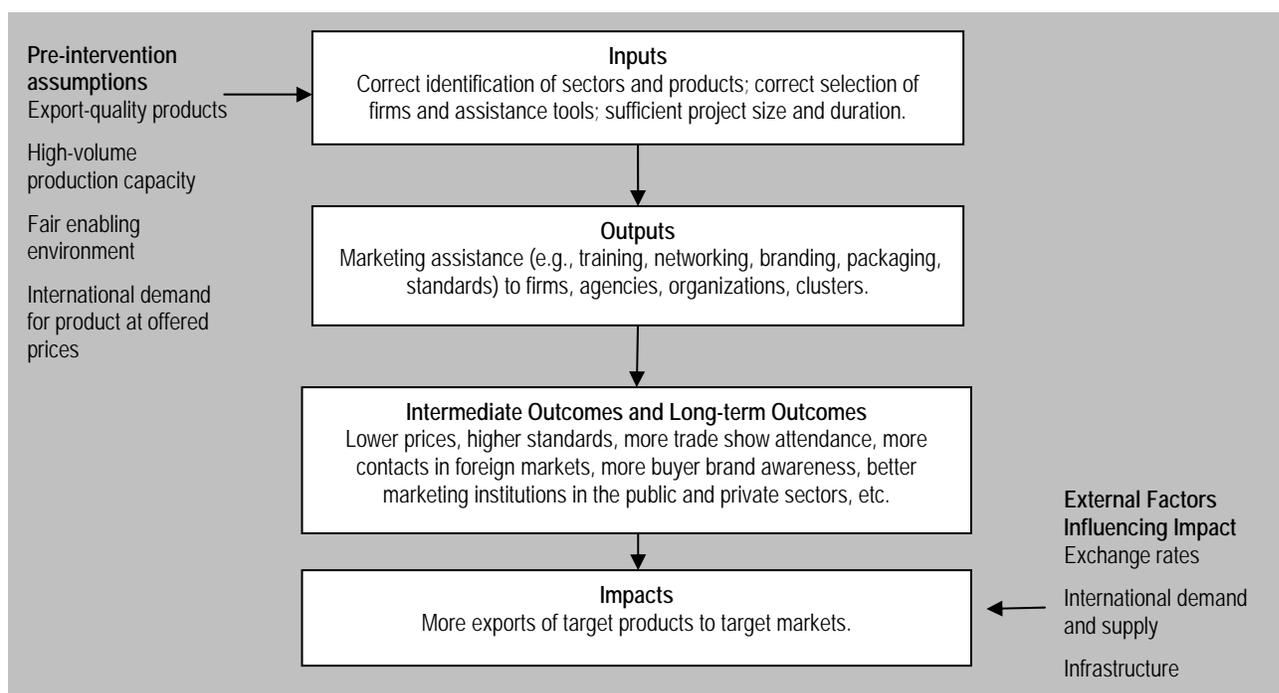
Interventions that focus on market analysis and development are based on the theory that exporters in developing countries face severe *deficits in information about markets*, and that when deficits are overcome they will have more success exporting. Interventions usually provide information about how to improve a product or service to make it acceptable in a foreign market, or how to better market an existing or new product or service in particular markets.

Usually working directly with private sector counterparts, these projects can be sector-, region-, or product-specific, and can employ a wide variety of intervention methodologies. Comparisons across countries are complicated because of the country-specific nature of most interventions. For instance, projects aiming to improve cheeses from El Salvador and Nicaragua may have

dramatically different results despite the projects' similar size and duration because the largest foreign market for the cheese is the El Salvadoran diaspora in the United States, to which Nicaraguans have less access.

As Figure 4-1 illustrates, a series of assumptions are made when designing these types of projects, which may or may not continue to hold true over the course of the project if external conditions change.

Figure 4-1  
*Logic Model for Pure Marketing Assistance Interventions*



## Product Improvement

Product improvement projects train producers in technical and quality standards, help them adjust other product characteristics for international markets, and make production or value chains more efficient to improve product quality and production costs, on-time delivery, and cost to the buyer. Most projects target small and medium exporters, but some may target artisans or individual craftpersons.

Outputs can include a wide variety of training, standards assistance, technology transfer, and industry cluster competitiveness activities. Intermediate outcomes focus on changes in the value and volume of exports produced by targeted firms or sectors (micro level). Final outcomes include changes in macro-level export volumes and values that are comparable across countries. Because most of these projects focus on individual firms or groups of firms, macro-level impacts may be difficult to detect. The exception may be projects that help an important national industry

or cluster boost efficiency or cut costs dramatically (e.g., industrial production efficiency projects for developing country textile and apparel sectors).

## **Product Marketing**

Product marketing projects work with individual firms, entrepreneurs, associations, other sector groups (e.g., clusters), or cross-sector chambers. Outputs may include training; preparations for and involvement in trade shows; development of online marketing capacity; development of product, sector, or firm marketing materials; development of networks of buyers and brokers; and assistance in negotiating export deals. Intermediate outcomes may include changes in buyers' awareness of products, producers' awareness of export opportunities and capacity to market goods, or firms' rate of participation in international marketing events. Outcomes may include increased sales among targeted firms, sectors, or entrepreneurs. Cross-country impact comparisons could include market share in target markets, overall export volume and value, and diversification of markets. Diversification or concentration can be measured by computing the Herfindahl-Hirschmann indices for individual countries. (See TCB Indicator Database for more details on this methodology.)

## **BUSINESS SUPPORT SERVICES AND INSTITUTIONS**

This category of projects includes a wide range of projects intended to build export capacity at the firm, association, or industry cluster level. In contrast to Market Analysis and Development projects, these focus more on firms' general business capacity rather than production capacity. Such projects may also include assistance to trade associations to improve their export promotion services or their advocacy of legal and regulatory reforms that promote the exporting sector. Private firms or associations are the typical counterparts for these projects.

Because the targets for interventions are so dispersed, outputs and outcomes vary widely, and many are identified in the TCB Indicator Database. When evaluating an "institution-building" intervention, evaluators must keep in mind the long time-lag before impacts on exports will be visible or measurable. For example, an intervention to strengthen a trade association representing Guatemalan specialty coffee producers took several years to bear fruit in the form of higher quality standards and international prizes for Guatemalan beans. But the lack of disaggregated statistics that differentiate between various grades of coffee make it difficult to judge the degree to which specialty coffees are contributing to Guatemalan exports. Here, alternative intermediate outcome indicators include employment in the specialty coffee sector, export sales over time as reported by main firms or brokers in the sector (although these may be heavily discounted for tax purposes), and international recognition and certifications (e.g., the International Cup of Excellence).

## **PUBLIC-PRIVATE SECTOR DIALOGUE**

Often in developing countries, the public and private sectors do not work together to establish a coherent export promotion plan, and may even end up working at cross-purposes during trade negotiations and in allocating government resources to export products (e.g., allocating resources to politically popular products rather than exportable ones). To focus on what international

markets want to buy, rather than on what the country would like to sell, the public sector needs regular input from the private sector. Likewise, the public sector needs to help the private sector be aware of international trade negotiations, standards, and other multi-state bodies that set parameters for international trade.

Public–private sector dialogue projects frequently attempt to establish or strengthen forums for cooperation and information exchange. The projects work directly with private sector stakeholders, government representatives, and existing or new organizations that promote dialogue. Outputs may include meetings, reports, recommendations, and cooperative activities. Intermediate outcomes may include draft laws, regulations, export promotion strategies, joint participation in trade shows, training programs, and country-wide marketing and branding strategies. Outcomes can include new or amended laws and regulations, new or strengthened export promotion institutions, and implementation of a joint export promotion strategy. Impacts can include changes in export volumes and values, perceptions of government effectiveness, international recognition of the country and its brand.

## **E-COMMERCE, E-BUSINESS, INTERNET-BASED EXPORTING**

E-commerce and e-business, or Internet-based export and marketing strategies have become popular targets for USAID intervention. Related projects may have a variety of objectives, target beneficiaries, and intervention methodologies. They may aim to promote adoption of digital signature laws, train firms and associations in devising Internet marketing campaigns, or even attract outsourcing and call center investments, whose resulting services are provided to foreign consumers (though this is usually classified as FDI promotion). Country-specific constraints include the availability, speed, reliability, and cost of bandwidth; the availability of electronic payment systems; the use of computer technology among small and medium firms; and the availability of trained workers to develop, maintain, and staff an Internet-based export enterprise.

Outputs vary widely, from training to websites, and from Internet marketing campaigns to e-government policy. Intermediate outcomes may include the development of export-oriented websites and/or the actual transaction of some export deals via the Internet. Measurable outcomes may include changes in export figures at the firm, sector, or even national level based on Internet or IT-enabled sales. The latter is much more likely if the focus is services provision (e.g., outsourcing, offshoring).

## **TRADE PROMOTION STRATEGY DESIGN AND IMPLEMENTATION**

Focused on government-level action, these projects aim to create or strengthen export promotion institutions and develop and implement promotion strategies. Assistance is frequently provided to the private sector in areas that the government has identified as top priorities or as presenting important opportunities. This category does not include assistance for negotiating agreements, acceding to the WTO, or the implementing agreements. (See Chapter 6 on negotiations.).

Interventions are of three types: institution and capacity building for the government (and perhaps involving public-private bodies); strategic advice and analysis for the government; and execution

of strategies relating to the public or private sector. Outputs may include training for officials, regulators, inspectors, and other government personnel; analysis of institutional and/or strategic strengths, weaknesses, opportunities and threats; design of sector-specific or national export promotion institutions or strategies; management of the overall trade strategy; and *inter alia*, provision of business development services, marketing, standards, and networking services to the private sector.

Intermediate outcomes may include establishment or enlargement of export promotion institutions; changes in the export-enabling environment, in export strategies, and promotion officials' behavior in response to better information; and better export products, services, or business practices in the private sector.

Long-term outcomes may include a more effective international presence (e.g., more commercial offices abroad), more trade missions, changes in laws and regulations, and consensus-based long-term export strategies. Impacts may include changes in export volumes and values, particularly in sectors targeted by government campaigns.

## **TRADE FINANCE**

TCB programs aim to improve exporters' access to credit rather than subsidize it at below-market prices. Banks are encouraged to charge market interest rates and fees, including fees paid to government agencies to cover administrative costs and default risks. TCB programs may help design and implement government guarantee and insurance programs that commercial banks use to reduce the risk associated with loans to exporters. Lenders concerned with an exporter's ability to perform under the terms of sale, and with an exporter's ability to be paid, often use government programs to reduce risks that would otherwise deter them from providing financing. In other cases, lenders to a foreign buyer are reluctant to provide financing without support from a government agency.

One model for such TCB programs is the US Export-Import Bank, which offers credit insurance that protects against default on exports sold under short-term credit. Other guarantee and loan programs extend medium- and long-term credit for durable goods. Other agencies provide a range of models. The Small Business Administration offers programs to address the needs of smaller exporters. The U.S. Department of Agriculture offers several medium- and long-term credit programs to foster agricultural exports. OPIC provides specialized assistance to U.S. firms through its performance bond and contractor insurance programs for U.S. investments abroad that also can be accessed by U.S. exporters. Although the Department of Commerce does not offer any financing programs, export counseling is available through its extensive network of Export Assistance Centers (EACs). Microfinance institutions may also provide export finance assistance to individual artisans or niche producers. Their programs aim to provide ongoing operating funds to support volume growth and responsiveness to international orders.

## VARIABLES

### External

External factors can mask or overshadow the impact of even large export promotion projects. Chief among these are *currency fluctuations* that can dramatically and quickly alter a country's terms of trade, particularly for price-sensitive commodities, textiles and apparel, and labor-intensive services. Depending on the country or group of countries in the evaluation set, the evaluator could reduce or at least estimate the impact of currency volatility on impact findings by

- Choosing a set of trading partners with whom currency relationships were relatively stable;
- Choosing an evaluation period over which the target currency relationship was relatively stable;
- Choosing a set of products that were relatively non-price sensitive or for other reasons not directly affected by currency volatility (e.g., commodities traditionally valued in dollars);
- Comparing two or more countries with similar types of currency volatility and similar export promotion projects (appropriate cluster selection); and/or
- Carrying out a regression analysis incorporating a variable to control for currency fluctuations.

The evaluator may also attempt to estimate what trade figures would have been in the absence of currency volatility. This is not recommended, however, as currency volatility can have a cascading effect throughout an economy that is difficult to account for fully.

Other factors include war, natural disasters, and sudden closure of traditional primary international markets, sudden emergence of major new competitors (e.g., China in textiles), and sudden changes in the rules of international trade (e.g., bio-terrorism).

Again, it can be difficult, if not impossible, to control or compensate for such external factors, other than to note their likely impact explicitly in the evaluation results and to estimate the duration of the impact. Duration is a function of whether the factor is a one-time only event (e.g., imposition of bio-terrorism rules), or represents a shift in the underlying terms of trade (e.g., changes in international supply and demand).

One could argue that successful export promotion projects are those that take these factors into consideration or compensate for them at least over the long term. The main point, however, is that TCB projects are frequently short-term projects of limited resources and scope, which constrains their ability to respond precisely to such factors.<sup>11</sup>

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<sup>11</sup> The World Bank has attempted to control for many external variables by comparing the impact of export promotion agencies through a cross-sectional survey of all agencies. While this approach may not be feasible for evaluators of all TCB projects, results are worthy of note. See Daniel Lederman, *et al* (2006).

## Internal

Evaluators also need to take into account synergies and dependencies within projects or among projects in the same country. These include the following:

- ***Tariff policies*** must be relatively open before export promotion projects can have a significant impact on trade. Here, openness means relatively low tariff and nontariff barriers on imports and exports. This is particularly important for manufactured goods because developing countries usually need to be able to import components.<sup>12</sup>
- Trade ***financing*** must be available for export promotion projects to be successful. Most developing country firms will need some sort of low-cost external financing to rapidly gear up to serve foreign markets. Consequently, projects with financing components would be expected to show better results than projects without them, all things being equal.
- ***A positive enabling environment***, marked by elimination of export licenses and other barriers to exports and export-oriented production, must be functioning before private sector export promotion activities can succeed. Projects with both public and private sector components will have a better chance of success according to this assumption.
- ***International markets*** for specific products must be relatively buoyant and open for targeted export promotion projects to show measurable results. Projects promoting the export of products in highly protected sectors may face insurmountable odds (e.g., rice and sugar).
- ***Infrastructure*** must be in place to allow for competitive pricing and delivery of exported goods (transportation, warehousing) and services (communications, Internet, tourism infrastructure).

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<sup>12</sup> Some economists contest this notion. See Dani Rodrik, *Making Openness Work: The New Global Economy and the Developing Countries*, Overseas Development Council, Washington, DC, 1999. For an opposing, orthodox view, see Jagdish Bhagwati, *Trading for Development: Poor Countries Caveat Emptor*, 2002, <http://www.columbia.edu/~jb38/Economist%20June%2010%20Revised%20Final.pdf>.

# 5. Customs Operation and Administration Clusters

Customs operation and administration projects may be organized by type of activity or by project objective. For both types of subclusters we identify illustrative outputs, intermediate outcomes, and outcomes. We also discuss factors that may influence the effectiveness of TCB customs projects and the long-term impacts of customs reforms and the challenges of measuring them.

## **SUBCLUSTERS BY ACTIVITY**

The subclusters described below are modeled on the trade facilitation assistance categories used by the OECD Development Assistance Committee in its 2006 *Review of Technical Assistance and Capacity Building Initiatives for Trade Facilitation*.<sup>13</sup>

### **Needs Assessments**

The first step in designing a successful customs reform program is accurate diagnosis of problems. USAID has conducted trade facilitation needs assessments in a number of countries, and customs reform is often a central topic in these assessments. The outputs of needs assessments are the studies themselves. An intermediate outcome is the effect of the studies on the design of subsequent customs reform projects, while outcomes include improvement across the full range of customs performance improvement objectives. (See discussion below of subclusters by objective).

### **Legislative Reform Support**

Modernized legislation is a cornerstone of a well-functioning customs system. TCB assistance for legislative and regulatory reforms includes assistance to

- Align customs legislation with international best practices as codified in the World Customs Organization (WCO) International Convention on the Simplification and Harmonization of Customs Procedures (revised), also known as the Revised Kyoto Convention;

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<sup>13</sup> The categories are not identical in part because the OECD review scope is wider, covering all trade facilitation activities, while we focus only on customs reform.

- Revise the tariff schedule to ensure compliance with the WCO's Harmonized System Convention;
- Reform valuation procedures to ensure compliance with the WTO's Valuation Agreement; and
- Align rules for determining goods' origin with the WTO's Agreement on Rules of Origin.

Outputs include draft legislation, regulations and procedures, and technical assistance to drafters. Adoption of the proposed reforms is an intermediate outcome, while improvements in customs performance (e.g., increased revenue generation and decreased clearance times) are outcomes.

## Procedural Reform Support

Assistance for procedural reforms focuses on one or both of the following activities:

- Streamlining import and export clearance processes to reduce the number of documents, time, and cost necessary to import and export. Reforms include elimination of redundant requirements, consolidation of required forms in a single administrative document, and creation of a "single window."<sup>14</sup>
- Adoption of risk management techniques that improve compliance with laws and regulations while facilitating trade. Reforms may include, *inter alia*,
  - Introduction of mechanisms for gathering intelligence on noncompliance risks associated with shipments;
  - Pre-arrival screening and clearance for imports;
  - Levels of screening that vary according to the risk of noncompliance; and
  - Introduction of post-release audits.

Outputs for this subcluster include plans for procedural reforms and trainings for Customs officials in new procedures. Adoption of proposed procedures is an intermediate outcome, while reductions in export and import times and improved compliance with regulations are outcomes.

## Physical Support

The WCO's Revised Kyoto Convention calls on countries to make maximum use of automated systems and information technology. Yet the hardware and systems required for customs modernization can be expensive, and developing countries often need financial assistance to upgrade antiquated systems. TCB programs' physical support for customs modernization may include

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<sup>14</sup> In "The Single Window Concept: The World Customs Organization's Perspective," the WCO defines a single window as "a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit related-related regulatory requirements." <http://www.wcoomd.org/ie/wto/Single%20Window%20Concept.pdf>, accessed February 27, 2007.

- Procurement and installation of information and communication technology hardware and systems, such as automation systems, computers, and x-ray and gamma-ray machines; and
- Assistance to construct and maintain customs facilities, such as border posts, warehouses, and other customs buildings.

Outputs include the hardware and systems procured and installed and facilities constructed or renovated. Intermediate outcomes focus on the successful performance of the equipment and facilities, while outcomes are improvements in customs performance (e.g., increased revenue generation and decreased clearance times).

An example of USAID's assistance in this area is its Electronic Payments Project in Jamaica, which created a mechanism for customs brokers and importers to pay duties online.<sup>15</sup>

## Public Institution Building

Customs reform often demands substantial changes in organization and personnel management. TCB assistance in this area may address the following topics:<sup>16</sup>

- Customs' role in government, particularly its management and autonomy vis-à-vis other revenue and border agencies, and its level of financial autonomy.
- Internal organization of units within the customs agency.
- Human resources development, including development and implementation of a staff training plan.
- Recruitment of staff, whether through the civil service or other means.
- Salary and incentive structures for customs employees.
- Disciplinary policies, particularly in regard to corruption.

Outputs include organizational and human resources policy reform plans and technical assistance to implement the plans. Intermediate outcomes include adoption and implementation of the reforms. Outcomes include improvements in customs performance (e.g., increased revenue generation and decreased clearance times) as well as increased *efficiency* of Customs operations (e.g. fewer employees per unit of revenue collected).

## Strengthening Public–Private Cooperation for Reform

Private stakeholders in customs reform include transporters, trade service providers, and the importers and exporters themselves. More broadly, private stakeholders include all members of the public, as everyone is a *potential* beneficiary of increases in welfare due to increased trade and investment. Participation by private stakeholders in customs reforms ensures that priorities

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<sup>15</sup> Information in this section is adapted from OECD, OECD/DAC Project on Trade Facilitation: Phase 1 – A Review of Technical Assistance and Capacity Building Initiatives for Trade Facilitation, November 2006, 26.

<sup>16</sup> This section draws heavily on Luc de Wulf, “Human Resources and Organizational Issues in Customs,” in *Customs Modernization Handbook*, World Bank, 2005.

reflect private sector concerns. Furthermore, such participation favors the sustainability of the reform process: when stakeholders see the reforms as relevant to their interests, they are more likely to pressure the government to advance reforms. In select cases, stakeholders may even provide financial support for reform programs.<sup>17</sup> Public–private coordination also increases the transparency of customs operations: for example, discussion forums between customs agencies and private sector representatives offer stakeholders means to learn more about customs regulations and processes directly from customs officials.

In a number of countries, USAID has supported the creation of public–private cooperation institutions. These institutions bring together traders, trade and transport service providers, and representatives of customs and other government agencies. USAID has supported both nation- and region-wide customs cooperation institutions.

Outputs of public–private coordination assistance programs include

- USAID and USAID contractors’ outputs, including short- and long-term technical assistance to the institutions and material support to their secretariats; and
- Supported institutions’ outputs, including institutional charters, meetings and events, and publications.

Intermediate outcomes include

- Institutional development milestones, such as levels of stakeholder support and participation, frequency of activities, and participants’ perceptions of those activities’ value; and
- Customs reforms, such as reengineering of procedures and legislative reforms.

Outcomes include the full array of customs reform objectives (see the discussion of subcluster by objectives below): reduced costs and time to import and export, improved revenue-generating capacities, and decreased corruption. Other potential outcomes include stakeholders’ increased trust in customs, and their increased willingness to cooperate with customs for a variety of purposes, such as preventing smuggling and ensuring the security of cargoes.

## Analytical Tools

Donors have developed numerous tools to help partners assess needs and manage customs systems. While most such tools have been developed by multilateral donors,<sup>18</sup> USAID has supported development of a number of them. The outputs of projects to develop analytical tools are the tools themselves. An intermediate outcome is the tools’ role in helping officials diagnose problems and design reform programs; outcomes include the full array of customs reform objectives (including reduced clearance costs and times, reduced corruption, and increased revenue generating-capacity).

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<sup>17</sup> See, for example, the World Bank’s Trade and Transport Facilitation Project in Pakistan, where the Pakistan Shippers’ Council provided funding for the project. As described in *OECD/DAC Project on Trade Facilitation: Part 1*, 47.

<sup>18</sup> *OECD/DAC Project on Trade Facilitation*, 31.

## SUBCLUSTERS BY OBJECTIVE

TCB customs projects typically apply some mix of the activities described above to achieve one or more of the following objectives:

- Reduce the time and costs required to import and export;
- Improve control over goods crossing the border;
- Improve the revenue-generating capacity of Customs;
- Reduce corruption in Customs operations.

Our descriptions of each objective subcluster include activities that USAID may apply to achieve the objectives. These activities may be matched to the activity subclusters described above.

### Reducing Time and Costs to Import and Export

The main objective of many trade facilitation projects is to reduce the time and cost required to import and export, without compromising the government's regulatory responsibilities.

Numerous government agencies may play a role in moving goods across borders, but customs is usually the lead agency. Thus, it is often the principal, if not exclusive, focus of trade facilitation programs.

Projects to improve clearance times and costs may include one or a combination of the following activities:

- **Legislative reforms.** TCB programs may help partner countries to revise legislation, in particular the Customs Code, in accordance with the WCO's Revised Kyoto Convention).
- **Process simplification.** TCB programs may help partners' customs agencies to design and implement measures that reduce time and costs in the clearance process, such as the following:
  - Administrative process reforms. A popular strategy is the creation of "single windows" where importers and exporters may submit all documents required for import and export.
  - Introduction of risk-based inspections regimes and processes, so that only shipments most at risk of regulatory noncompliance are inspected;
  - Introduction of information technology-based processes for the pre-arrival, arrival, and post-arrival stages, such as electronic submission of declarations, electronic funds transfer, and post-clearance audits.
  - Procurement of hardware necessary to implement information technology-based solutions.

Intermediate outcomes may include the adoption of new legislation and simplified processes, or measurable process improvements that are likely to lead to clearance time and cost reductions (e.g., reduced inspection rates and increased rates of detection of noncompliant cargoes).

Outcomes include reductions in import and export clearance times and costs. These measures may be calculated for the entire import or export process or at various levels of disaggregation (i.e., by specific stages in the clearance process, by location, or by types of goods).

## Improving Control over Goods Crossing the Border

Customs agencies often treat control and trade facilitation as conflicting goals. However, a sound risk management strategy allows customs agencies to improve control *and* facilitate trade. TCB assistance often seeks to help developing countries pursue both goals simultaneously.

“Control objectives” of TCB customs assistance programs include

- Reducing the incidence of smuggling;
- Preventing the entry and exit of illegal and fraudulent goods, including banned substances (e.g., drugs and illegal animal products) as well as counterfeit and pirated goods; and
- Improving enforcement and compliance for classification, valuation, duty exemption, and origin determination rules.

Outputs include plans for new risk management strategies and procedures and training of officials in these procedures; intermediate outcomes include adoption of the recommended strategies and procedures; and outcomes include reductions in smuggling and in import and export of fraudulent goods, as well as higher levels of compliance with regulations (or reduced incidence of noncompliance).

## Improving Revenue Generation

Improving customs agencies’ capacity to collect revenue is a vital complement to trade liberalization. Import tariffs are an important source of revenue in many developing countries, yet these countries’ customs agencies may collect only a small portion of mandated duties. The rest may be lost to smuggling, improper goods classification, incorrect valuation or weighing, incorrect origin determination, or premature or improper release of the goods (perhaps linked to corrupt practices involving traders and customs officials). Programs to reduce revenue leakages may

- Support adoption of new risk-management strategies, including intelligence-gathering on levels of risk associated with specific shippers and product sectors. In addition, post-release audits of importers and exporters are particularly useful for purposes of increasing revenues.
- Increase the number of border checkpoints to reduce the incidence of smuggling.
- Improve valuation capacities through legislative and procedural reforms, establishment of a central valuation office, training of valuation officers in the provisions of the WTO’s Agreement on Customs Valuation, and establishment of a value information database.<sup>19</sup>
- Provide technical assistance to simplify rules of origin regimes, or to improve understanding of and compliance with current regimes.
- Establish automated release systems to prevent improper release of goods.

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<sup>19</sup> See Adrien Goorman and Luc De Wulf, “Customs Valuation in Developing Countries and the World Trade Organization Valuation Rules,” in *Customs Modernization Handbook*, p. 164. The authors also note that improvement of customs valuation procedures depend on broader improvements in customs administration.

- Improve management and monitoring for duty relief and exemption programs, such as export processing zones, customs warehousing and temporary admission contingent on re-export.

Intermediate outcomes for revenue generation improvement programs include establishment of new management systems and reforms of procedures. Outcomes may be measured in terms of total tariff revenues collected as a share of “potential” revenues (the full amount of tariff revenues that should have been collected on the goods that entered the country) (Goorman 14). In addition, one may measure the percentage of import taxes that are contested or overdue.

## Curbing Corruption and Increasing Transparency

Virtually every customs function is vulnerable to corruption. Government officials may solicit bribes—or traders may offer them—at the stages of declaration, classification, valuation, and determination of origin; inspection and release of cargo; administration of duty relief and exemption programs; post-clearance audits; and issuance of import licenses.<sup>20</sup> Corruption in customs may increase importers’ and exporters’ uncertainty about procedural requirements, decrease consistency in clearance times, and raise overall costs of importing and exporting. It may also lead to substantial leakage of revenues, and low revenues may in turn weaken political will for trade liberalization. All of these factors discourage trade and trade-related investments.

TCB programs that seek to decrease corruption in customs may:<sup>21</sup>

- Promote automation of processes to reduce opportunities for solicitation and offering of bribes. Reducing points of contact between customs officials and traders reduces opportunities for corrupt interactions.
- Simplify procedures or eliminate unnecessary procedures (“reduce red tape”) to reduce opportunities for corrupt interactions.
- Increase transparency of rules and regulations by disseminating them in print and electronic media.
- Enact organizational and human resource management reforms, such as adoption of a code of conduct, random assignment to border posts, and salary and incentive reforms.
- Audit customs operations to monitor for corrupt behavior.
- Establish independent anticorruption agencies to act as watchdogs for corruption in customs (and other government bodies).

Intermediate outcomes include the degree to which proposed legislative, administrative, and procedural reforms are implemented, and whether proposed transparency improvements are achieved (e.g., publication of customs regulations online). Outcomes include

- Decreases in public perceptions of corruption, as recorded in surveys of entrepreneurs, traders, the general public, and government employees;

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<sup>20</sup> See Gerard McLinden, “Integrity in Customs,” in *Customs Modernization Handbook*, p. 69.

<sup>21</sup> McLinden, “Integrity in Customs.”

- Decreases in unofficial payments to customs officials, as reported by both traders and Customs employees;
- Increased compliance with customs processes and regulations; and
- Reduced leakage of customs revenues.

## FACTORS INFLUENCING CUSTOMS PROJECT IMPACT

Evaluators of TCB customs projects should consider certain factors that affect the success of these projects, as follows:

- ***TCB Customs reform objectives are mutually reinforcing.*** The three main objectives of TCB customs projects—reducing time and costs to import and export, improving revenue generation capacities, and reducing corruption—are interrelated. Improvement in one area will boost success in others.<sup>22</sup> For example, improvements in revenue-generating capacity may help reduce costs of importing and exporting, as the customs agency sees that it can maintain or increase revenue even though fees per shipment are lower. Conversely, failure to improve revenue-generating capacity may decrease the likelihood of success for a project focusing on clearance times and costs.
- ***Trade policies affect customs performance.*** Trade policies can support or undermine customs performance. For example, a tariff schedule that has fewer tariff bands reduces goods classification problems, while a complex schedule may lead to more mistakes. Similarly, straightforward rules of origin are easier to enforce than those with complex provisions.
- ***Other border agencies and the quality of infrastructure affect clearance times and costs.*** In most countries, customs is the central agency controlling the flow of goods across borders, but it is rarely the only one. For example, many countries have inspection agencies that inspect all shipments of animals and plants; immigration agencies may also inspect documents for individuals who accompany shipments. Evaluators must consider the roles of these agencies when examining clearance time and cost outcomes, and should examine whether the projects appropriately account for the links between Customs and these agencies. The quality of infrastructure in goods-clearing facilities also has a major effect on clearance times. For example, limited numbers of berths and antiquated equipment will cause delays that cannot be overcome simply by streamlining administrative procedures.
- ***The level of corruption in customs depends on more than transparent procedures.*** Multiple factors contribute to corruption in the public sector. If the public sector is characterized by a general climate of impunity, then even the most extensive procedural reforms are unlikely to eliminate corruption entirely.

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<sup>22</sup> This is generally so in the long term, but may not always be true in the short term. For example, a program to reduce corruption may increase clearance times or raise higher official costs for a certain period. See Timothy Buehrer, USAID/Nathan Associates, Technical Assistance for Policy Reform II Project.

- ***The sequence of interventions matters.*** The order of interventions is important. For example, a program to establish a platform for electronic document processing will be less effective in reducing clearance times if it is not preceded by review and streamlining of the administrative steps required for clearance.

## MEASURING IMPACTS OF CUSTOMS REFORM PROJECTS

In the realm of trade capacity building, the intent of customs reform is to increase volumes of international trade. As noted earlier, trade volumes (imports and exports) depend on many factors besides customs performance, including

- Tariffs and other trade taxes,
- Non-tariff barriers to trade,
- Exchange rate volatility,
- Macroeconomic conditions and stability, and
- External market conditions, trends, and rules.

Attributing trade performance improvements to any single factor is difficult. However, one approach is to compare trade performance in countries that are as similar as possible in all domains *except* the degree to which customs operations have been modernized. The degree of modernization could be benchmarked using the framework developed by Customs expert Michael Lane and cited in USAID and World Bank publications (see Figure 5-1).

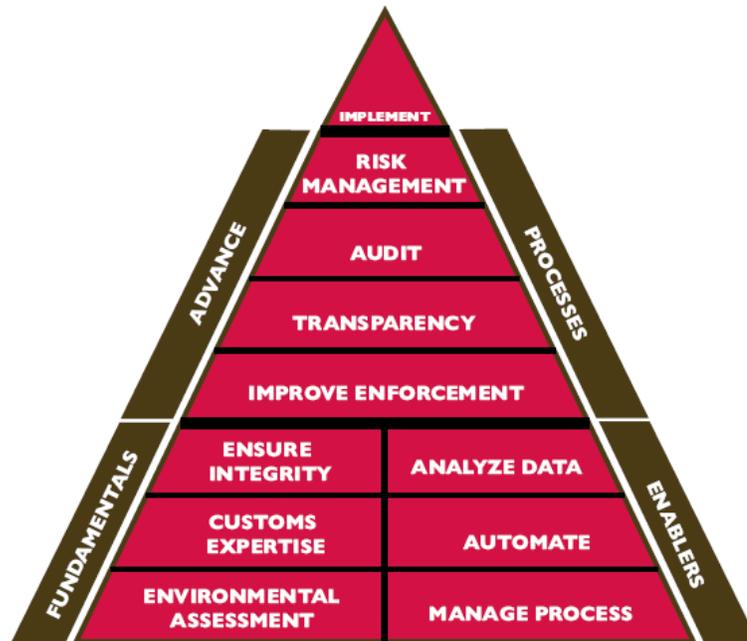
Lane describes the stages in his framework as follows:

*Fundamental processes* provide the foundation for modernization. These include an environmental assessment of Customs' performance and priorities and development of a strategic plan; the development of world-class expertise and knowledge of Customs, and the implementation of a program to improve integrity and eliminate corruption;

*Enabling processes* include process reengineering; automation and electronic commerce; and data analysis to transform Customs into a knowledge-based organization;

*Advanced processes* include introduction of improved enforcement designed to prevent and deter; transformation of the way Customs does business, providing transparency to its regulation and procedures in order to align itself with partners in government and industry; and the introduction of information-based risk management and post-audit capabilities (Lane 15).

Figure 5-1  
*Framework for Customs Modernization*



SOURCE: Sandler and Travis Trade Advisory Services, Inc., *Navigating the Maze of International Trade*, in Michael Lane, *Customs Reform and Trade Facilitation: an Entrée to the Global Marketplace*, USAID/Booz Allen Hamilton, 2005.

The evaluator could use the stages in Lane's framework to track each country's progress toward a modernized customs system over the life of the project (and in the post-project period), then compare changes in trade volumes in the respective cases.

# 6. Trade Negotiation Clusters

What do we mean by “increasing target country analytical and negotiating capabilities?” Unfortunately, the USAID TCB database categorizes many projects as negotiation projects that have little to do with negotiation or support for agreement compliance or participation in international trade fora.<sup>23</sup> Even so, many projects do reflect legitimate TCB goals. Drawing on this set of projects, we propose the categories and subcategories presented in Exhibit 6-1. The causal model motivating this set of activities is illustrated in Figure 6-1.

As the Figure 6-1 illustrates, the challenges facing developing country trade negotiators are internal and external. Internal groups will oppose liberalization to protect subsidies and tariff-induced protection. External groups will resist opening markets to developing country products that compete with their own. The ability of trade negotiators to be effective depends on the balance of power internally and externally, and their country’s leverage in the international trading system. The objective of TCB projects is therefore to provide assistance in taking advantage of opportunities by ensuring that capable people and institutions exist and are empowered to act within a sound legal framework. Furthermore, the causal model assumes that the private sector has the capacity to increase trade, and that barriers to trade are embodied mainly in international or national laws, policies, strategies, and standards rather than internal supply constraints (e.g., human resources or other inputs).

## **INSTITUTIONAL CAPACITIES**

Trade policy or strategy formulation institutions or processes in many developing countries may be nonexistent, dysfunctional, or weak compared to those of developed countries. This subjective judgment may be based on comparisons with OECD governments and processes. In other cases, an initial baseline survey of private sector attitudes may demonstrate that the private sector has little or no confidence in the government’s negotiators; the government is not able to field a large enough number of capable people to cover negotiations well or at all; the government is not able to articulate a coherent trade strategy that supports the country’s economic interests (when analyzed objectively); or the government has just adopted a more open policy but has never negotiated or implemented nonprotectionist rules. Any of these problems may justify assistance, but assistance may vary depending on the assumed cause of the problem.

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<sup>23</sup> The USAID database includes, for instance, canine training in this category.

Exhibit 6-1  
*Trade Negotiation Clusters and Subclusters*

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**Strengthen institutional capacities for trade policy or strategy formulation and implementation**

- Strengthen public-private dialogue on trade strategy
- Strengthen government strategy development, coordination and implementation capacities
- Strengthen government capacity to identify and use appropriate trade data sets

**Enhance compliance with WTO, regional and bilateral agreements and standards or other subject-specific agreements:**

- Improve capacity of government institutions to comply with commitments
- Build local support for compliance through public-private dialogue and training
- Ensure private sector understands the country's obligations under its agreements

**Enhance capacity to participate in and shape the multilateral trading system**

Strengthen government's ability to participate in bilateral, regional or multilateral trade agreements by (1) increasing officials' understanding of history, content and current issues associated with the agreements; and (2) improving officials' capacity to negotiate

- Strengthen public-private advisory mechanisms for developing and reacting to negotiating positions

**Support trade reforms**

- Strengthen capacity of government (both executive and legislative) to conceive of, draft and adopt needed trade reforms
- Strengthen private sector capacity to effectively advocate needed reforms
- Provide analytical support to help the government determine the effective level of protection and tariff-equivalents of non-tariff barriers

**Support "mainstreaming" or linking of trade policies, national economic policy, and development and poverty reduction strategies**

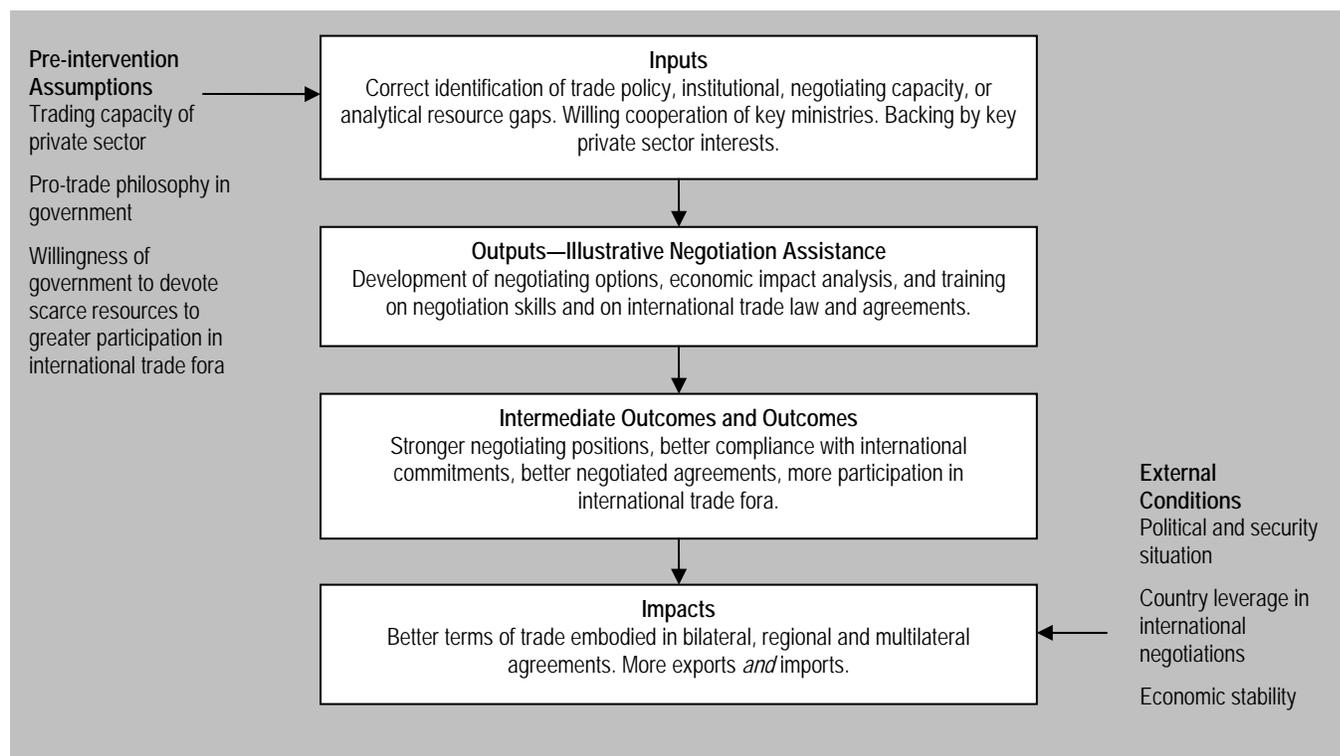
- Strengthen coordination mechanisms for developing unified approaches to trade policy and economic development
- Strengthen donor coordination on integrated framework, poverty reduction, and trade reform projects.

**Strengthen capacity to produce and access coherent and sound local statistics, research and information:**

- Establish and strengthen the capacity of domestic trade research centers  
 Promote the use of locally produced statistics and trade information by business and government agencies.
- 

Inability to negotiate effectively, for example, is often rooted in government's lack of coordination with the private sector, or at least the parts of the private sector interested in negotiations. Lack of coordination may result from mutual distrust between the public and private sectors, lack of leadership in one or both sectors, or lack of institutions or fora in which communication can occur. But without private sector input, budgetary support for the Ministry of Trade is eroded, economic analysis underpinning negotiating strategies is weak, and any support for implementation once commitments are made is undermined.

Figure 6-1  
*Negotiations Trade Capacity Building Causal Model*



Lack of cooperation and coordination among vertically organized ministries is another root cause of ineffective negotiation. Modern trade negotiations require ministries to cooperate in developing strategies, negotiating positions, and implementing plans. But mandating cooperation, particularly when resources are scarce and turf protection and political self-aggrandizement the rule, is difficult at best.

Interventions attempt to improve negotiating capacity by providing direct support, tools, and training for those in the public or private sector who can address root causes and the problems they give rise to. Such support may not result in tangible changes in the short or medium term, but over the long term institutions should get stronger, negotiators should have more resources, negotiating positions should become more nuanced, and the country should be better positioned to defend itself in negotiating or rule-setting fora. Most indicators of success will be qualitative and subjective, though changes in institutional budgets can be a quantitative indicator. Other fairly obvious indicators include the establishment of special negotiating units, the establishment of public-private dialogue fora, and the adoption of new policies and standards. Evaluators will have to discern whether changes are sustainable and attributable to donor-funded interventions (if there has been a long lag between project completion and evaluation).

In addition to establishing local trade policy analysis centers, donors frequently provide governments with technical assistance in assembling and analyzing trade data and devising negotiating and policy positions. This may involve very sophisticated econometric analysis that trade or finance ministers are rarely able to replicate later with their own resources. This type of

assistance may be considered capacity building to the extent that these skills are transferred to local personnel with the right education.

## **COMPLIANCE WITH AGREEMENTS AND STANDARDS**

Because developing countries must train staff, build institutions, and purchase equipment, they usually request and are granted longer periods to meet commitments than developed countries. Some of the most stringent commitments involve standards development, notification, certification, accreditation, and testing bodies. Many projects in the USAID TCB database relate to strengthening capacity to implement and enforce commitments under the WTO Technical Barriers to Trade agreement (and associated best practices), or bilateral, regional and international agreements on sanitary and phytosanitary measures. Others that cause difficulty include the following WTO agreements:

- Trade in Goods (e.g., tariffication or quotas)
- Trade-Related Investment Measures (TRIMs)
- Anti-Dumping
- Customs Valuation Methods
- Rules of Origin
- Subsidies & Countervailing Measures (CVM)
- Government Procurement
- Trade-Related Aspects of Intellectual Property Rights (TRIPs)
- Import Licensing Procedures
- Safeguards
- Disputes Settlement.

USAID has provided assistance on all these subjects, and has provided aid to some countries on implementing e-commerce conditions in the CAFTA agreement and the U.S. Bio-Terrorism Law.

Many interventions aim to provide training on IPR in order to curb patent, trademark and copyright violations as mandated by international agreements. Evaluators must take care to use appropriate timeframes in assessing such interventions. For example, trade ministries must build support for compliance so that the private sector takes responsibility for curbing intellectual property violations, thereby reducing the enforcement burden. In the short and medium term, however, violation rates often rise as enforcement and auditing improves. Here, the evaluation timeframe must capture real declines in violation rates per capita.

It is often advisable, even critical, to gain private sector support for trade reforms. Building such support is difficult for an outside agency, but USAID frequently funds projects that help champions of free trade support their arguments with facts, experts, studies, and conferences.

## **PARTICIPATION IN MULTILATERAL TRADING SYSTEM**

### **Public Sector**

Defining “participation” is a challenge here. Sometimes projects provide trade ministries with financial and logistic support to send people to negotiations. Sometimes they provide negotiators

with the wherewithal to join in debate, analysis, negotiation, and drafting of international agreements and rules. This usually involves training, but may also include studies, drafting assistance, and development of or access to proprietary databases of trade statistics and projections. What are the likely measurable outcomes of this type of support?

With enough time and resources, the evaluator could analyze international negotiating sessions involving countries that have received this type of assistance to see whether the quality and effectiveness—and sheer volume—of interjections increased. But such an exercise is probably more suitable for an ambitious Ph.D. student. The evaluator will likely rely on before and after interviews with negotiators and perhaps their colleagues. A good proxy might be examining the number of chairs of WTO bodies (available online from the WTO news archives) appointed from each country over an appropriate period of time (during a multilateral negotiating round, or other negotiations affecting the target countries).

It is difficult to compare trade policies and negotiating strategies against any sort of internationally accepted, objective benchmark. As one recent study points out, developing countries' trade officials and negotiators must answer some fundamental questions, including the following:

What are the principles on which developing-country policymakers should base their formulation of industrialization and technological upgrading strategies? Which principles would they need to heed in formulating the set of policy instruments appropriate to the specific conditions of their economies? And what degree of freedom remains for policy implementation, given the increased importance of international rules and commitments stemming from international trade agreements? (UNCTAD 152).

In general, it will be much easier to measure project outputs by how much officials' understanding of the history, content, and issues associated with agreements improved, and how their capacity to negotiate improved. Both of these outputs can be measured through testing and interviews.

## **Private Sector**

USAID-funded projects have focused on developing private advisory bodies (similar to USTR's Industry Sector Advisory Committees and Industry Functional Advisory Committees) to provide negotiators with technical input. The rationale for these projects is based on the observation that when private sector interests feel that their needs are adequately considered during negotiations, they are less likely to oppose the results when presented for executive or legislative approval. Such committees can also provide excellent advice to governments who otherwise may not have the technical skills or background to understand arcane sectoral trade issues. If, however, such groups merely constitute an oligarchy of private interests they can undermine procedural credibility and legitimacy. Thus, projects walk a fine line in identifying and endorsing candidates for membership in committees.

Assuming that such advisory mechanisms are properly established and useful, outcomes may include a private sector united in support of a particular agreement or commitment. This could

lead to a higher adoption and implementation rates. The same holds true for internal trade reforms.

## **TRADE REFORM SUPPORT**

A very popular type of TCB assistance involves advocacy of reforms in domestic trade legislation, regulations, and procedures. Such assistance assumes that domestic trade policies have tended to be protectionist and that more liberal policies will be in the countries' interest.

In some cases, the evaluator might question this assumption, but the issue is whether assistance produced any change in domestic legislation, regulations, or procedures, not whether it definitively improved a country's terms of trade (which in most cases will not be feasible to determine). Ideally, the evaluator will be able to attribute changes to activities such as drafting assistance, training, or study tours provided by the project.

Such projects frequently aim to strengthen private sector capacity, and sometimes the capacity of academia and local researchers, to advocate for reforms. Again, the value of such "buy-in" depends on private sector advisers who actually represent a broad cross-section of economic interests.

Successful public-private collaboration for trade reform will result in the private sector drafting legislation that the public sector reviews, adopts, and implements with support from diverse economic and political leaders. One of the most potent tools for convincing private sector interests to support reforms is sound economic analysis of effective protection rates.<sup>24</sup> Such analysis can show that the effective rate for some products in some countries is actually negative and therefore that trade policy and tariff reform can actually raise or at least make protection more rational.

## **"MAINSTREAMING" SUPPORT**

Mainstreaming projects address the second root cause of dysfunctional trade strategies—lack of coordination within the government on national economic goals and how trade strategies ought to support those goals. In the most limited sense, such projects may aim simply to improve coordination between the ministries of finance, trade, industry, and social development (or equivalents). The rationale for this approach is the fact that governments have limited resources and so tend to focus on one priority at a time. When ministries other than trade understand how trade spurs economic growth and reduces poverty, they may support allocating more resources to proactive trade strategies.

More broadly, though, such projects can spark national dialogue on economic and trade goals, involving the public and private sectors, research institutions, and the rest of civil society. To the extent that such projects are successful, one would expect (theoretically at least) to see broad

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<sup>24</sup> See David Greenaway and Chris Milner, "Effective Protection, Policy Appraisal and Trade Policy Reform," *The World Economy*, p. 441.

popular understanding of the potential for liberal trade policies to spur growth and reduce poverty.

## **CAPACITY BUILDING FOR STATISTICS AND RESEARCH**

A country's ability to formulate policy and negotiate trade positions is based in part on strong domestic analytical resources. Thus, some negotiation assistance aims to build local research and analytical capacity to inform legislators and policymakers. This frequently entails establishing independent think tanks; strengthening existing think tanks by providing econometrics training, access to international databases, and study tours; or fostering demand for sound statistics. Though daunting, making such institutions sustainable—as measured by budgets, memberships, subscriptions, publications sales—should be a primary measure of success. A second measure is the extent to which the institutions have increased the volume and quality of their analytical work as a result of assistance. An evaluator may also be able to judge the impact of the institutions on trade-related decision-making by interviewing policymakers.

## **VARIABLES**

### **External**

Perhaps the most important external variable in negotiating success is a country's economic leverage and whether trading partners believe that it will use it. Only rarely do eloquent statesmen manage to exert more influence than their country's economic leverage warrants. Most negotiating assistance projects are in countries without much leverage, and evaluators must take into account the consequent limits on policymakers and negotiators.

Another variable over which projects have little control is the length of time that individual policymakers or negotiators are in office. Developing expertise in a trade topic or developing networks of influential contacts may take years. Repercussions are severe when a country's single expert retires, or when cadres of trained individuals lose their jobs in the sweeping post-election changes common in developing countries.

Finally, lack of funds for negotiations and travel often prevent even highly qualified negotiators from participating effectively in multilateral negotiations. Sometimes embassy staff must participate in working groups covering topics with which they are not familiar because the lead negotiator cannot afford a plane ticket. A project may be able to support travel for two or three years, but sustained support will depend on legislators and budgeters perceiving direct and immediate benefits of trade negotiations.

### **Internal**

Especially relevant to negotiation projects are recommendations from an OECD/WTO report<sup>25</sup> that identifies conditions for the success of TCB programs. These include the need for a longer-

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<sup>25</sup> See Second Joint WTO/OECD Report on Trade-Related Technical Assistance and Capacity Building, p. 14.

term approach (long-term financing and sustainability); and heavier emphasis on clearly identifying needs upfront; ensuring strong local ownership (which may require lobbying by local stakeholders of their own government); a coherent overall strategy for implementing TCB projects that incorporate coordination among donors and implementing agencies.

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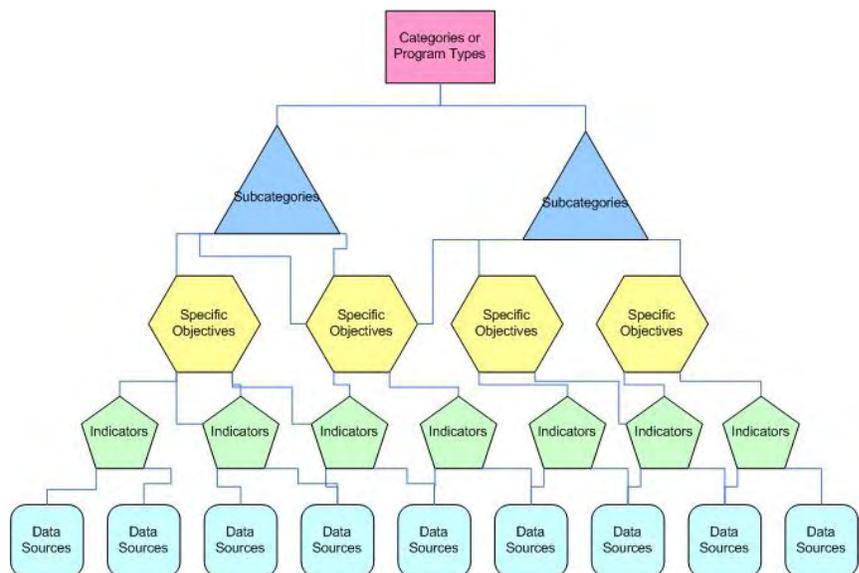
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# Appendix. TCB Databases

Our database of projects, project types, and indicators brings together all this information in a searchable and sortable format to help evaluators make decisions. The database is a rich source of information about not only concepts and typologies, but also real projects and available data sets.

Two related databases form the TCB Evaluation Methodology database: the Project Database and the Indicator Database. The Project Database incorporates all records from the USAID TCB database falling into the export promotion category and the customs subcategory under trade facilitation. Where possible, records have been combined to eliminate duplicates, which occur when one project has several yearly entries. When records were combined the amount funded over several years was not totaled.

The Indicator Database consists of tiers of information related through key fields: project categories; project subcategories; specific project objectives; indicators; and data sources. Intended primarily to expedite the design of evaluations, the database classifies indicators by category, subcategory, and specific project objectives, providing evaluators with a source of pre-digested information about which indicators apply to which kinds of projects. Indicators are also broken out according to whether they are



output, intermediate outcome, outcome, or impact indicators. For some of the outcome indicators and many of the impact indicators evaluators will be able to find cross-country, quantifiable data sets. Output and intermediate outcome indicators will usually have to be project specific. More information on how to use the database is in the database itself. More information on the structure and use of both databases is in the accompanying *User Manual*.